

ANNUAL REPORT 2022/23



FINANCIAL
AND FISCAL
COMMISSION

For an Equitable Sharing
of National Revenue





FINANCIAL
AND FISCAL
COMMISSION

Annual Report 2022/23

For an Equitable Sharing of National Revenue

Financial and Fiscal Commission

11th Floor, 33 on Heerengracht,
Foreshore, Cape Town 8001

www.ffc.co.za

ISBN: 978-0-621-51378-3
RP248/2023

CONTENTS

Acronyms	ii
Chairperson's foreword	1
Chief Executive Officer's overview	3
Statement of responsibility and confirmation of accuracy of the annual report	5

Part A: General information 7

1. Constitutional and legislative mandate	8
2. Vision and mission	8
3. Values	8
4. Outcomes, output indicators, targets and actual achievements	9
5. Composition and organisational structure	9

Part B: Selected performance information 11

1. The Commission's submission for the 2023/24 division of revenue	12
2. Statement of responsibility for performance information for the year ended 31 March 2023	15
3. Performance against predetermined objectives for the 2022/23 financial year	16

Part C: Corporate governance 17

1. Commission	18
2. Commission meetings and attendance	21
3. Committees	21
4. Research	22
5. Compliance with legislation	22
6. Risk management	22
7. Fraud and corruption prevention	23
8. Health, safety and environmental issues	23
9. Office of the CEO	23
10. B-BBEE compliance performance information	24

Part D: Human resources management 25

1. Personnel expenditure	26
2. Employment changes	26

3. Total number of employees per occupational level as of 31 March 2023	28
4. Training and development philosophy	29
5. Performance rewards	29
6. Leave utilisation	30
7. Labour relations trends	30
8. Injury on duty	30

Part E: PFMA compliance report 32

1. Irregular, fruitless and wasteful expenditure and material losses	33
2. Additional disclosure relating to material losses in terms of the PFMA section 40(3)(b)(i) and (iii)	36
3. Supply chain management	36

Part F: Financial information 38

1. Statement of responsibility and approval of the annual financial statements for the year ended 31 March 2023	39
2. Report of the Audit and Risk Committee for the year ended 31 March 2022	40
3. Analysis of financial statements	44

Report of the Auditor-General to Parliament on the Financial and Fiscal Commission 49

Annexure – Auditor-General's responsibility for the audit 53

Financial and Fiscal Commission: Annual Financial Statements for the year ended 31 March 2023 55

ACRONYMS

AGSA	Auditor-General South Africa
APP	Annual Performance Plan
B-BBEE	Broad-based Black Economic Empowerment
CEO	Chief Executive Officer
CODESA	Convention for a Democratic South Africa
DoRA	Division of Revenue Act
DPSA	Department of Public Service and Administration
FFC	Financial and Fiscal Commission (also referred to as the Commission)
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IAF	Internal Audit Function
ICT	Information and Communication Technology
IESBA	International Ethics Standards Board for Accountants
IGFR	Intergovernmental Fiscal Relations
ISA	International Standards on Auditing
IT	Information Technology
MEC	Member of the Executive Council
MTBPS	Medium-term Budget Policy Statement
MTEF	Medium-term Expenditure Framework
PAA	Public Audit Act
PFMA	Public Finance Management Act
SARB	South African Reserve Bank
SCOPA	Standing Committee on Public Accounts
SITA	State Information Technology Agency
SMS	Senior Management Service
Unisa	University of South Africa
Wits	University of the Witwatersrand





CHAIRPERSON'S FOREWORD

It is with great privilege that I table the Financial and Fiscal Commission (FFC)'s Annual Report, which covers the 2022/23 financial year. The Annual Report is presented in terms of the provisions of section 220 of the Constitution, 1996; Sections 40 and 65 of the Public Finance Management Act, 1999; and Section 26 of the Financial and Fiscal Commission Act, 1997 (as amended).

This is a year in which the turnaround strategy to reposition the FFC to move with the changing times made gigantic leaps that exceeded all expectations.

I am thrilled to report that the Commission received an unqualified audit opinion with no material findings on the reported performance information, and no material findings on compliance with legislation. The Commission will continue to implement internal controls to sustain the clean audit outcome in subsequent years.

The legislatively required submissions on the Medium-term Budget Policy Statement, Division of Revenue Bill, Fiscal Frameworks and Revenue Proposals and Appropriations Bill were met according to the legislative prescripts. The Submission for the 2024/25 Division of Revenue, as tabled in Parliament in terms of section 214(1) of the Constitution of the Republic of South Africa, 1996; section 9 of the Intergovernmental Fiscal Relations Act, 1997; and section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act, 2009, as amended, will be considered according to the parliamentary, provincial and local governmental processes.

The FFC's Submission for the 2024/25 Division of Revenue, "Improving service delivery and inclusivity in an environment of expenditure moderation", was successfully tabled in May 2023. The Submission examined the impact of inflation on public finances before evaluating the effect of state-owned entities and social security on the sustainability of public finances. Research was conducted on the subnational issues of learner-teacher support materials and learner transport, climate change, spatial inequalities, local economic development; municipal cost recovery and the affordability of basic services.

The Commission further published technical reports and policy briefs that informed the recommendations contained in the Submission. The impact of the Commission's work was evidenced by the rapid responses and submissions in response to requests from stakeholders in the legislatures, executive, organised local government and other organs of state. The Strategic Plan and Annual Performance Plan were tabled timeously in compliance with the provisions of the Treasury Regulations for Departments, Trading Entities, Constitutional Institutions and Public Entities in terms of the Public Finance Management Act, 1999 (as amended). These plans are invaluable in ensuring that the Commission and Secretariat have a clear understanding and direction on the way forward. The Commission will continue to ensure compliance regarding all its activities.



The year under review bore key achievements and challenges. The organisational structure was reviewed and the operating model structured to improve operational efficiencies. The FFC's offices based in Gauteng closed down and operations moved to the Cape Town Office with new premises acquired.

During the period under review, the Commission bid farewell to two Commissioners – Prof Aubrey Mokadi and Mr Mandla Nkomfe – whose terms of office expired on 31 March 2023.

Prof Mokadi and Mr Nkomfe served the Commission with diligence, and contributed to the creation of an enabling environment for the FFC to execute its constitutional mandate effectively. I wish them every success in their future endeavours.

In conclusion, I express my gratitude to the Commissioners and the Secretariat for their unwavering support in ensuring that the Commission has fulfilled its constitutional mandate. I would also like to thank the Acting Chief Executive Officer for steering the institution towards a clean audit, and going the extra mile to ensure that the ship is capacitated and steered in the right direction and course. I thank the Audit and Risk Committee and all staff for their loyalty and commitment during this remarkable year that witnessed FFC achieving its mandate.

DR PATIENCE NOMBENKO MBAVA

Chairperson

Date: 31 August 2023



CHIEF EXECUTIVE OFFICER'S OVERVIEW

After the introspection of 2021/22, understanding all the systems of controls and processes, in the 2022/23 financial year, the work of total institutional renewal and reform has begun.

During the 2022/23 financial year, the Commission achieved four major, fundamental institutional reforms and milestones.

First, the Commission conducted a strategic organisational alignment and restructuring (SOAR) and institutional overhaul, streamlining the administrative services for greater efficiency to focus on its core function and mandate of research. This is reflected in the Commission's budget over the Medium-term Expenditure Framework (MTEF) from an 80:20 administration-to-research split to close to a 60:40 division, with a reorganised structure.

Second, the Commission fulfilled all its constitutional mandates and statutory requirements, tabling and presenting researched Commission recommendations at Parliament and provincial legislatures as a trilogy in terms of the Annual Submission for the Division of Revenue (2023/24), the Policy Briefs and the Technical Report. Furthermore, all the statutory budget submissions – the main budget, the Medium-term Budget Policy Statement (MTBPS) and the relevant financial and fiscal bills therein – have been submitted in accordance with the Annual Performance Plan (APP) 2022/23 and legislation.

Third, the Commission is not just talking the talk, but walking the walk, as it has consolidated, refocused and repositioned its operations to the epicentre of its main stakeholder and legislature of Parliament. The Constitution is clear on the matter in terms of section 220(1): "There is a Financial and Fiscal Commission for the Republic, which makes recommendations envisaged in this chapter, or in national legislation, to Parliament..."

Finally, the Commission achieved its first unqualified audit with no findings (a clean audit) in six financial years since 2015/16, thereby fulfilling the promise made in the APP 2022/23, leading by example, in following the advice it gives on financial management, financial stewardship and corporate governance. Management shall continue with constant vigilance on internal controls to ensure compliance as per the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) by undertaking accurate identification, specification and sophistication of the control and compliance issues at hand to address, preserve and strengthen financial and corporate governance at the Commission.

These four goals were the key performance indicators and deliverables with commitments to the Commission when I accepted the acting position as Chief Executive Officer (CEO) in December 2021. As Accounting Officer and Acting CEO, who had been given this tremendous opportunity to walk the journey with the Commission through these achievements and see the strategic direction and vision of the Commission to fruition, I wish to thank the Commission for this immense honour and guidance.



To all the Commission's staff members, I salute you for your patience with me and my flaws. Change is never easy and, at times, impossible for some, especially in the case of a small institution of less than 30 staff members, administratively heavy, operating with the same modus operandi since 1994. The world, our country and people have grown and evolved with technology and productivity. We must evolve with time to serve. It is easy to fall into personal interests and remain the same for convenience, instead of being what the institution and the Constitution needs us to be to support our young democracy, and exercise financial and fiscal oversight over the executive.

It is with my greatest honour and appreciation to all that I present the 2022/23 Annual Report of the Financial and Fiscal Commission.

MR CW TSENG

Acting Chief Executive Officer

Date: 31 July 2023



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

The CEO, as the Accounting Officer, is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and annual financial statements. The Commissioners are responsible for the fiduciary governance of the Commission.

To the best of my knowledge and belief, I confirm the following:

The annual report fairly reflects the operations, performance information, human resources information and financial affairs of the Financial and Fiscal Commission for the financial year ended 31 March 2023.

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The Annual Report is complete, following the adjustments made by the Auditor-General, tabled with an unqualified audit opinion with findings. This Annual Report has been prepared in accordance with the Annual Report Guidelines issued by National Treasury.

MR CW TSENG

Acting Chief Executive Officer

Date: 31 July 2023



PART A

GENERAL INFORMATION



PART A: GENERAL INFORMATION

1. Constitutional and legislative mandate

The Commission derives its mandate from section 220 of the Constitution of the Republic of South Africa, 1996 (the Constitution) (as amended). The Commission is an independent and impartial advisory institution, whose advice government must seek on the division of revenue among the three spheres of government and in the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans. Sections 214(2), 221, 222, 228(2)(b), 229(5), 230(2) and 230A(2) of the Constitution set out details in respect of the Commission's functions.

Its mandate is further enabled through the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended), the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997), the Money Bills Amendment Procedure and Related Matters Amendment Act, 2009 (Act No. 9 of 2009) (as amended), the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (as amended), the Provincial Tax Regulation Process Act, 2001 (Act No. 53 of 2001), the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) and the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007).

2. Vision and mission

Vision

To provide influential advice for an equitable, efficient and sustainable intergovernmental fiscal relations (IGFR) system.

Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable IGFR system, through evidence-based policy analysis to ensure the realisation of our constitutional values.

3. Values

To enable the Commission to deliver on its mandate, it subscribes to the following values:



Professionalism, which implies fairness and equal treatment, the free sharing of information, striving for quality and time management



Respect for each other as colleagues and for the diversity of the workforce



Empowerment in employing policies to increase rather than stifle delegation, the tolerance of different views and ideas, and making resources available when required



Trust, which requires openness and transparency, humility, integrity and honesty in all undertakings



Teamwork, which encourages cross-functional integration, voluntary mentorship and coaching, taking responsibility, and flexibility



Innovation, which allows intellectual space, provides systems to support innovation, and tolerates mistakes as opportunities for learning

4. Outcomes, output indicators, targets and actual achievements

In accordance with the 2022/23 APP, the Commission has formulated the following impact statement:

“Strengthened financial and fiscal management through research and making evidence-based recommendations to policymakers.”

Outcome 1: Strengthening the effectiveness of the internal capacity available to the Commission

- Leading by example: follow the advice we give to public-sector institutions regarding spending efficacy, operational functionality and institutional efficiency.
- Refocusing our available resources to build research capacity, capability and productivity as our core mandate.

Outcome 2: Strengthening cooperative governance by harmonising the fiscal system

- Improving the fiscal system of South Africa through research and evidence-based policymaking recommendations.
- Monitoring and analysing the fiscal environment to inform the policymakers and the public.

5. Composition and organisational structure

Commission

The Commission comprises nine persons appointed by the President of the Republic of South Africa:

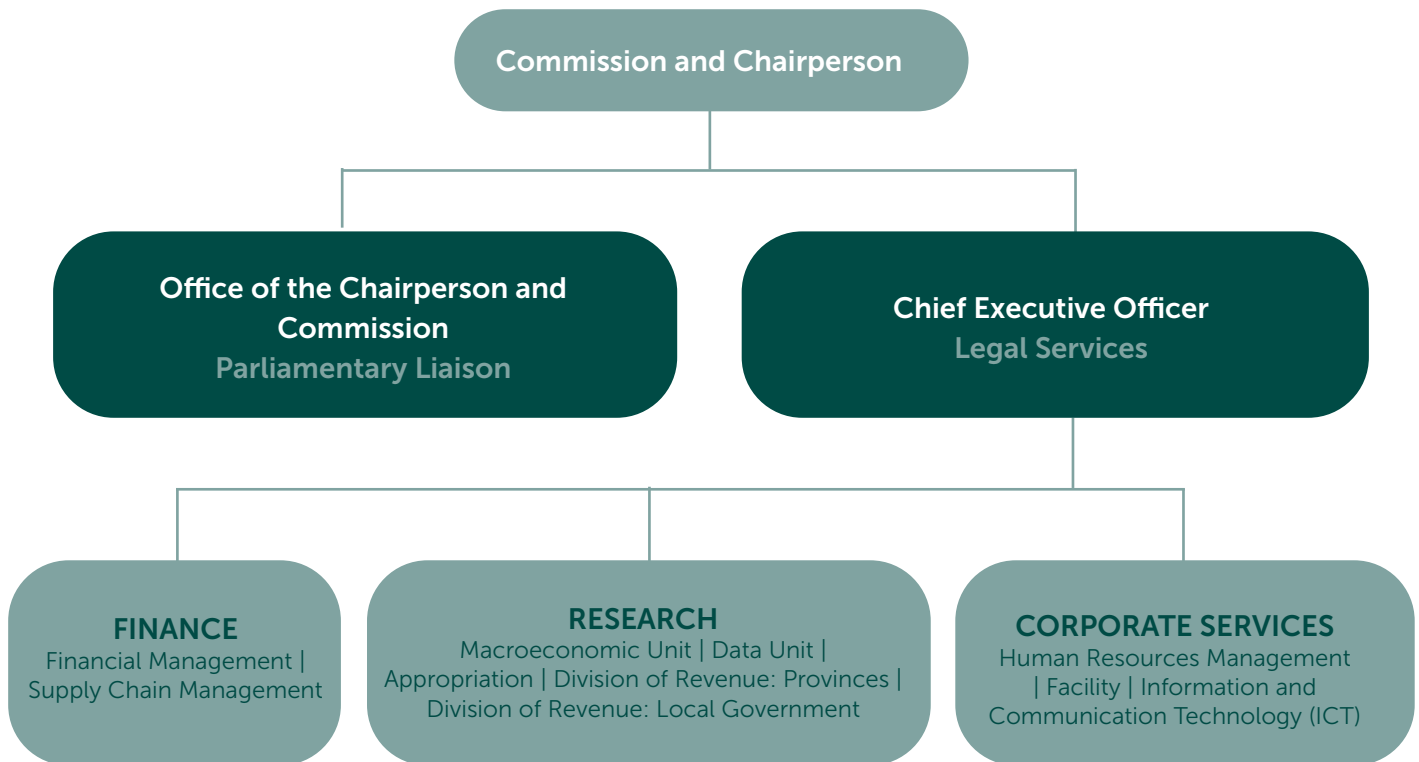
- Chairperson and Deputy Chairperson
- Three persons appointed after consultation with the Premiers from a list compiled in accordance with a process prescribed by the Financial and Fiscal Commission Act
- Two persons appointed after consultation with organised local government from a list compiled in accordance with a process prescribed by the Financial and Fiscal Commission Act, and the Organised Local Government Act, 1997 (Act No. 52 of 1997)
- Two other persons

The Chairperson’s appointment is full-time, whereas the other Commissioners, including the Deputy Chairperson, are appointed on a part-time basis. Commissioners are appointed in terms of section 221 of the Constitution and section 5 of the Financial and Fiscal Commission Act. Commissioners must have appropriate experience and are appointed for a term not exceeding five years, which is renewable for a further term.

The President, by notice in a Government Gazette, after taking into consideration the recommendations of the Independent Commission for the Remuneration of Public Office Bearers and the National Assembly, proclaims the remuneration, allowances and other benefits of Commissioners.

Secretariat

Headed by the Chief Executive Officer, who is also the Accounting Officer, the Commission is committed to transparency, accountability, efficiency and effectiveness, and the practical application of these principles to enable delivery against the Commission's constitutional mandate.



PART B

SELECTED PERFORMANCE INFORMATION



PART B: SELECTED PERFORMANCE INFORMATION

1. The Commission's submission for the 2023/24 division of revenue

The Financial and Fiscal Commission (FFC) tables the Submission for the Division of Revenue 2023/24 in terms of section 214(1) of the Constitution of the Republic of South Africa, 1996 (as amended), section 3 of the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997), section 9 of the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997) and section 4(c) of the Money Bills and Related Matters Act, 2009 (Act No. 9 of 2009) (as amended). The FFC is an independent, juristic constitutional institution that reports directly to Parliament and the provincial legislatures.

Two years have passed since the onset of the COVID-19 pandemic. South Africa is experiencing growing concerns of deteriorating fiscal performance and persistently poor service delivery outcomes on its public finances. Signs of a slow recovery in growth have largely been thwarted by recent events, including the civil unrest in KwaZulu-Natal and Gauteng during July 2021, ever-mutating COVID-19 strains and, more recently, the Ukraine-Russia war and floods in KwaZulu-Natal. Inflation is expected to continue to rise in 2022. Unemployment, having reached a record high of 34.9% in 2021, remains stubborn.

In terms of public finances, the government faces significant debt and growing debt service costs. These costs are currently the largest public expenditure item, and essentially serve to divert funds from more productive, service delivery-related spending.

Over the past two years, the government has tried to balance the maintenance of fiscal sustainability with the need to provide social protection in the face of rising unemployment and inequality. This balancing act has been challenging. Not only has the COVID-19 pandemic highlighted the country's vulnerable fiscal position, it has also further exacerbated it and exposed deep-seated delivery challenges. This was evident as many of the relief interventions introduced during the pandemic were marred by a myriad of delivery shortcomings, irregularities, fruitless and wasteful spending, and a deepening of corruption.

Under the theme of "addressing socioeconomic vulnerabilities through fiscal transparency and strategy", the FFC's Annual Submission for the 2023/24 Division of Revenue focuses on how the elements of good governance and coherent, goal-oriented long-term planning across the IGFR system in key sectors can serve to buoy growth and development.

Number of Policy Briefs published



Eleven Policy Briefs were published on the FFC's website for the 2023/24 Submission for the Division of Revenue, available at www.ffc.co.za/policy-brief-1.

Number of Technical Reports published



One Technical Report was published on the FFC's website for the 2023/24 Submission for the Division of Revenue. The report is available at www.ffc.co.za/technical-report-1.

Submission on Government's 2022 Medium-term Budget Policy Statement

The Submission on the Medium-term Budget Policy Statement is made to the relevant Standing and Select Committees on Finance and Appropriation around October/November every year in terms of Part 1(3) of the Financial and Fiscal Commission Act, and section 4 (4c) of the Money Bills Amendment Procedure and Related Matters Act. The FFC's submission follows the Minister of Finance's presentation of the Medium-term Budget Policy Statement, and provides the Commission's stance on the policy statement, which the FFC presents to Parliament.

The Commission tabled its Medium-term Budget Policy Statement submission at the Joint Meeting of Standing and Select Committees on Appropriations and Finance on the Revised Fiscal Framework on 1 November 2022. Then, on 8 and 10 November 2022, the Commission tabled its submission on the 2022 Medium-term Budget Policy Statement in terms of the 2022 Adjustment Appropriations and Division of Revenue Amendment Bill to Parliament.

Submission on Government's 2022 main budget: Submissions on the Appropriation and Division of Revenue Bills

Submissions on the 2022 main budget, in terms of the Appropriation and Division of Revenue Bills, were made between February and May 2022. The purpose of these Bills is to appropriate money from the National Revenue Fund for the requirements of the state for the 2022/23 financial year; and to provide for matters incidental thereto.

The number of Parliamentary Committees, stakeholder meetings and forums attended in response to a request with presentations and/or contributions by the FFC

The Commission attended 50 engagements in response to invitations from stakeholders, where presentations and/or contributions were made for the 2022/23 financial year. Eight of these engagements were attended during the first quarter of the financial year, 16 in the second quarter, 18 in the third quarter and eight in the fourth quarter.

Quarter	Date of engagement	Name of stakeholder	Purpose
First	19 April 2022	National Council of Provinces	Three-sphere Planning session
	26 April 2022	Free State Legislature	Division of Revenue Bill 2022
	10 May 2022	Standing Committee on Appropriations	Appropriation Bill 2022
	21 May 2022	North West Legislature	Women's Charter for Accelerated Development
	25 May 2022	Select Committee on Appropriations	Appropriation Bill 2022
	27 May 2022	Limpopo Legislature	Women's Charter for Accelerated Development
	17 June 2022	National Council of Provinces	Economic Reconstruction and Recovery Plan
	24 June 2022	Northern Cape Legislature	Women's Charter for Accelerated Development
Second	5 July 2022	Eastern Cape Legislature	Money Bill Amendments
	7 July 2022	Budget Council	Briefing to the Minister
	2 August 2022	South African Local Government Association	Division of Revenue Submission 2023/24
	3 August 2022	Select Committee on Appropriations	Division of Revenue Submission 2023/24
	5 August 2022	National Council of Provinces – Western Cape	Women's Charter for Accelerated Development
	5 August 2022	Western Cape Legislature	Division of Revenue Submission 2023/24

Quarter	Date of engagement	Name of stakeholder	Purpose
Second	22 August 2022	Department of Cooperative Governance	Division of Revenue Submission 2023/24
	24 August 2022	Standing Committee on Appropriations	Division of Revenue Submission 2023/24
	31 August 2022	South African Human Rights Commission Conference	Local Government
	6 September 2022	Mpumalanga Legislature	Division of Revenue Submission 2023/24
	13 September 2022	Free State Legislature	Division of Revenue Submission 2023/24
	14 September 2022	Eastern Cape Legislature	Division of Revenue Submission 2023/24
	16 September 2022	National Council of Provinces – Eastern Cape (Port Elizabeth)	Women’s Charter for Accelerated Development
	19 September 2022	National Council of Provinces – Eastern Cape (Queenstown)	Women’s Charter for Accelerated Development
	23 September 2022	National Council of Provinces – Mpumalanga	Women’s Charter for Accelerated Development
	29 September 2022	Gauteng Legislature	Division of Revenue Submission 2023/24
Third	11 October 2022	Parliamentary Committee on Education	Annual Report of the Department of Basic Education
	11 October 2022	Parliamentary Committee on Health	Audit findings of the Department of Health
	12 October 2022	Parliamentary Committee on Higher Education	Annual Report of the Department of Higher Education and Training
	12 October 2022	Parliamentary Committee on Public Enterprises	Annual Report of the Department of Public Enterprises
	20 October 2022	Stakeholder engagement	South Sudan’s IGFR system
	21 October 2022	Dullah Omar Institute	Stakeholder engagements
	1 November 2022	Joint Committee on MTBPS	Briefing on MTBPS 2022
	8 November 2022	Standing Committee on Appropriations Division of Revenue Bill Amendments Adjustment Appropriations Special Appropriation	Adjustment appropriations
	10 November 2022	Select Committee on Appropriations	Division of Revenue Bill amendments
	11 November 2022	National Council of Provinces – Free State	Women’s Charter for Accelerated Development
	16 November 2022	United Nations Children’s Fund (UNICEF) – International	MTBPS reflections
	17 November 2022	Free State Legislature	2022 Division of Revenue Bill Amendments
	17 November 2022	Limpopo Legislature	Division of Revenue Submission 2023/24
	22 November 2022	Parliamentary Budget Office	Stakeholder engagement
	24 November 2022	KwaZulu-Natal Legislature	Division of Revenue Submission 2023/24
	6 December 2022	North West Legislature	Division of Revenue Submission 2023/24
	8 December 2022	National Council of Provinces – KwaZulu-Natal	Women’s Charter for Accelerated Development
8 December 2022	Public Service Commission Conference	Anti-Corruption Conference	
Fourth	1 February 2023	National Council of Provinces	Members’ training
	15 February 2023	Eastern Cape Legislature	Eastern Cape Money Bill
	28 February 2023	Joint Committee	Joint Meeting on Finance and Appropriation
	7 March 2023	Standing Committee on Appropriation	2023 Division of Revenue Bill and Second Adjustment Appropriation
	10 March 2023	Western Cape Provincial Legislature	Money Amendment Procedure
	15 March 2023	Select Committee on Appropriation	2023 Division of Revenue Bill
	29 March 2023	National Council of Provinces	Three-sphere Planning National Council of Provinces
	30 March 2023	Standing Committee on Finance	Standing Committee on Finance oversight



STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

The Acting CEO is responsible for the preparation of the Commission's performance information and for judgements made on this information. This involves establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

The Auditor-General performs the necessary audit procedures on the performance information to provide assurance on audit conclusions. The audit conclusion on the performance against predetermined objectives is included in the report to management. In my opinion, and as corroborated by the Auditor-General, the performance information fairly reflects the operations of the Commission for the financial year ended 31 March 2023.

MR CW TSENG

Acting Chief Executive Officer

Date: 31 July 2023

3. Performance against predetermined objectives for the 2022/23 financial year

Performance indicator		Annual targets 2022/23	Target achieved to date	Variance explanation
Outcome 1: Strengthening the effectiveness of the internal capacity available to the Commission				
Output: Human resource management, ICT support, facilities, audit outcome, compliance and risk, procurement management				
1.1.1	Percentage spend of training and development budget	≥80%	7.1%	Policy uncertainty combined with Personal Development Plan management
1.1.2	Number of quarterly reports on the implementation of the Employment Equity Plan	4	4	
1.2.1	Percentage of ICT equipment, service and infrastructure standards as per the ICT Strategy	≥95%	96.4%	
1.2.2	Number of quarterly ICT reports submitted	4	4	
1.3.2	Number of quarterly facility reports submitted	4	4	
1.4.1	Audit opinion obtained	Unqualified audit opinion with ≥30% fewer findings than the previous year	10% has been recorded in line with the Technical Indicator Description, although three findings were resolved during the audit, resulting in an actual 19% reduction.	
1.4.2	Percentage of valid invoices paid within 30 days	100%	100%	
1.4.3	Number of compliance reports generated and submitted to the Audit and Risk Committee	4	4	
1.4.4	Number of risk management reports generated and submitted	4	4	
1.4.5	Percentage of procurement processes completed in line with the Procurement Plan	≥80%	160.8%	
1.5.1	Number of quarterly reports as per section 38-40 of the PFMA	4	4	
Outcome 2: Relevant research and recommendations support government financial and fiscal decision-makers and empower citizens				
Output: Annual Submission, Policy Briefs, Technical Reports with reviews on financial and fiscal matters				
2.1.1	Annual Submission for Division of Revenue with recommendations	1	1	
2.1.2	Submission on Medium-term Budget Policy Statement	1	1	
2.1.3	Submission on Division of Revenue Bill	1	1	
2.1.4	Submission on Appropriation Bill	1	1	
2.1.5	Number of Policy Briefs published	≥10	11	
2.1.6	Number of Technical Reports published	1	1	
2.1.7	Percentage of technical research report chapters gone through peer-review with feedback	≥80%	100%	
Output: Stakeholder involvement in framing and responding to the FFC's research agenda				
2.2.1	The number of Parliamentary Committees, stakeholder meetings and forums attended in response to a request with presentations and/or contributions by the FFC	≥20	50	

PART C

CORPORATE GOVERNANCE



PART C: CORPORATE GOVERNANCE

1. Commission

Dr Patience Nombeko Mbava (Chairperson) (17 August 2021 to 16 August 2026)

Dr Mbava is a highly accomplished leader and expert in public policy, governance, monitoring and evaluation. She holds a PhD in Public and Development Management and an MBA from Stellenbosch University, as well as a Bachelor of Arts in Economics from Smith College in Massachusetts, USA.

With over 20 years' experience as a strategist and business analyst, Dr Mbava has successfully developed and implemented strategic plans in both the private and public sectors. She has held leadership positions in esteemed institutions such as the Technology Innovation Agency, South African National Space Agency, Sasol Oil, Chevron South Africa, BP Southern Africa and the Standard Bank of South Africa.

Dr Mbava has also served as a lecturer in Public Policy in the Department of Political Studies at the University of Cape Town. As a researcher, she publishes extensively in peer-reviewed journals and serves as a peer reviewer for *African Evaluation Journal*. She was awarded a National Research Foundation Scholarship and held the position of Postdoctoral Research Fellow at the University of Cape Town.

In 2020, Dr Mbava was appointed as a Council Member on the Council for Medical Schemes by the Minister of Health. She is an Evaluation Advisor to the United Nations Development Program and is a proud Brand Ambassador for the Stellenbosch Business School Alumni Association Future Fund. Her research interests primarily focus on Africa-centric evaluation approaches, development economics and media policy. Dr Mbava is a member of the Institute of Directors of Southern Africa.

Mr Michael Sachs (Deputy Chairperson) (26 May 2020 to 25 May 2025)

Michael Sachs is Adjunct Professor at the Southern Centre for Inequality Studies at the University of the Witwatersrand (Wits), where he leads the centre's research projects on Public Economics and Fiscal Policy. He teaches Public Economics and Policy Analysis at the Wits Schools of Economics and Finance and the Wits School of Governance.

Prior to joining Wits, he worked in public policy and political strategy in South Africa for over 25 years. He is a former head of the Budget Office of National Treasury. Prior to this, Michael Sachs worked at the headquarters of the African National Congress for more than a decade, where he coordinated economic policy development and led the party's research agenda. His research interests include public economics, macro and international economics, and social policy.

Prof Lourens Jacobus Erasmus (1 April 2019 to 31 March 2024)

Prof Erasmus holds a D Tech Cost and Management Accounting (TUT); M Tech Cost and Management Accounting (Tech PTA); B Tech Finance and Accounting (Public) (*cum laude*) (Pretoria Technikon); and a National Diploma in Government Finance (*cum laude*) (Pretoria Technikon). Prof Erasmus is currently a Professor in Financial Governance at Unisa where he is primarily involved with research. He is a rated researcher by the National Research Foundation and has several national and international publications focusing on public sector financial governance and internal auditing.

Prof Erasmus is the Editor-in-Chief of the DHET-accredited academic journal, *Southern African Journal of Accountability and Auditing Research*, and Associate Editor of the Scopus-listed *South African Journal of Accounting Research*. He chairs the Education Committee of the Southern African Institute of Government Auditors, chairs the Unisa College of Accounting Science's Research Ethics Review Committee, and is the Treasurer of the Research Ethics Committee Association of South Africa. He is the leader of the registered Engaged Scholarship projects, Research on Audit Committees South Africa (RACSA), and Continuous Auditing for Public Sector Internal Auditing (CAPIA). Prof Erasmus is a member of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO), the Southern African Accounting Association (SAAA) and Research Ethics Committee Association of South Africa (REASA).

Prof Trevor Fowler (1 April 2019 to 31 March 2024)

Prof Fowler is a Visiting Adjunct Professor at the University of Witwatersrand (Wits) School of Governance and Interim CEO of Alexkor SOC. He serves on the boards of the Trevor Huddleston Memorial Centre and the Tirisano Construction Fund. He is a graduate civil engineer of the University of Manitoba in Canada. He has more than forty (49) years' experience in civil engineering research, design, construction, project management, political and administrative leadership, management, negotiations, governance, community, national, international stakeholder management, and water supply planning and development. Prof Fowler was the City Manager/CEO of the City of Johannesburg until December 2016. Previously, he was an Executive Director of Murray and Roberts and Head of the SADC Construction Cluster responsible for subsidiary companies in South Africa, Botswana and Zimbabwe, the Chief Operations Officer and Accounting Officer/Deputy Head of the South African Presidency under Presidents Mbeki, Motlanthe and Zuma, Advisor to Premier Mbhazima Shilowa, the MEC of Development Planning and Local Government and Leader of the House, Speaker of the Gauteng Legislature, Head of the Transition Management Team and Advisor to first Minister of Water Affairs and Forestry, Hon Kader Asmal. He served on the boards of the Development Bank of Southern Africa (DBSA) and the Institute for Local Government Research, as well as the Health Systems Trust. Prior to the democratic government in 1994, Prof Fowler was research officer and lecturer at Wits' Faculty of Engineering, a member of the National Local Government Negotiating Forum (LGNF), which negotiated transitional arrangements for CODESA, and a member of the Technical Committee of CODESA to Demarcate the Provincial Boundaries.

Ms Nthabeleng Khabutlane (1 April 2019 to 31 March 2024)

Nthabeleng Khabutlane is an accountant with a CIA and CTA, and completed her Masters (*cum laude*) at the University of the Free State. She is a seasoned professional with a track record of auditing and evaluating highly computerised and manual business environments. She is a PhD candidate at the University of KwaZulu-Natal. Her industry experience includes the financial sector, services sector, manufacturing sector, construction sector, engineering sector, government institutions and parastatals. Her areas of expertise include IT post-implementation reviews, application control reviews, operational audits, compliance audits, finance audits, value for money audits, audit turnaround, annual financial statement compilations, risk management, governance and special investigations. She has experience at junior level, middle and executive management levels in a career spanning over 16 years with appropriate qualifications in both auditing and accounting. She has served on various boards and chaired many Audit Committees. Her recent business expansion into short-term insurance makes her a formidable force.

Mr Sikhumbuzo Eric Kholwane (26 May 2020 to 25 May 2025)

Sikhumbuzo Eric Kholwane has an LLB degree from the University of South Africa, and an MA ICT Policy and Regulation degree from the University of the Witwatersrand. He also has the following qualifications: A Nursing Diploma from the Mpumalanga Nursing College, an Advanced Diploma in Human Resources and an Advanced Diploma in Economic Policy from the University of the Western Cape, an Advanced Diploma in Research and Policy from Rhodes University and an Industrial Policy and Research for Leaders certificate from the University of Johannesburg's School of Leadership. He is currently studying for an honours degree in Economics for Public Policy and African Studies.

Ms Elizabeth Cornelia Rockman (26 May 2020 to 25 May 2025)

Elzabe Rockman obtained her BA Educationis (Languages) and Hons BA Languages (English) from the University of the Free State. She is also a Certified Fraud Examiner and a member of the Association of Certified Fraud Examiners (ACFE – International and South African Chapters). She was a Member of the Executive Council (MEC) for Finance in the Free State from 2013 to 2019. Prior to that, she served as the Director-General of the Free State Province (2011–2013), the Head: Monitoring and Evaluation (Free State Premier's Office, 2009–2011) and the Secretary to the Free State Legislature (1994–2009). She served as the regional election administrator of the ANC Southern Free State region and participated in a training programme focusing on parliamentary management and administration facilitated by the ANC in Zimbabwe, Canada and South Africa in preparation of the 1994 general elections. Ms Rockman is the Chairperson of The Elf Foundation, a non-profit organisation focusing on socio-economic interventions and poverty relief programmes in poor and disadvantaged communities in the Free State Province.

Prof Aubrey Mokadi (1 April 2018 to 31 March 2023)

Mr Mandla Nkomfe (1 April 2018 to 31 March 2023)

2. Commission meetings and attendance

Commissioner meetings are the highest decision-making structure of the Commission. The meetings are chaired by the Chairperson and are held at least four times a year in terms of the enabling legislation. The table below indicates the frequency of Commission meetings and attendance during 2022/23.

Name of member	Commission meeting attendance and dates									
	11 May 2022	26 May 2022	27 July 2022	27 October 2022	7 November 2022	29 November 2022	25 January 2023	27 March 2023	28 March 2023	31 March 2023
Dr Patience Nombeko Mbava (CP)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Michael Sachs (DCP)	✓	✓	✓	A	R	R	✓	R	✓	✓
Prof Lourens Erasmus (C)	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Prof Trevor Fowler (C)	✓	A	✓	✓	✓	✓	✓	A	A	✓
Ms Nthabeleng Khabutlane (C)	A	A	✓	✓	✓	✓	✓	✓	✓	✓
Mr Eric Kholwane (C)	R	R	R	R	R	R	R	R	R	R
Prof Aubrey Mokadi (C)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mandla Nkomfe (C)	✓	✓	A	✓	✓	✓	A	A	A	✓
Ms Elizabeth Rockman (C)	✓	A	A	✓	✓	A	A	✓	✓	✓

Key: ✓ = Attended; A = Apology; R = Recused; CP = Chairperson; DCP = Deputy Chairperson; C = Commissioner

3. Committees

The Commission may appoint one or more committees to assist in the performance of any of its functions or the exercise of any of its powers. The establishment of committees strengthens the overall governance of the Commission. The Audit and Risk Committee is a mandatory committee that is established in terms of the PFMA. The Commission has further established a Research Working Group to ensure the effective attainment of its outcomes. Each committee has its own terms of reference that are regularly reviewed.

Audit and Risk Committee

The Audit and Risk Committee is independent in accordance with the PFMA and the legislative prescripts. The Chairperson is an independent member appointed by the CEO as the Accounting Officer, as mandated by the Treasury Regulations. All members comply with statutory required competencies and have no conflicts of interest. The Commission, with the assistance of the Audit and Risk Committee, needs to ensure that an effective, efficient and transparent system of internal control is implemented and maintained so that the Commission can meet its strategic outcomes and outputs. The Audit and Risk Committee primarily assists the Commission in overseeing the quality and integrity of the financial statements, its public disclosures, the scope and effectiveness of the external audit function, and the effectiveness of the Commission's internal controls and internal audit function. The Audit and Risk Committee operates under an approved charter. The CEO, executive management, the Auditor-General and internal auditors attend, thus ensuring that such meetings are as effective and transparent as possible. The assertions and assurance provided by internal and external audit are relied on to determine the effectiveness of the internal control systems.

Research Working Group

The Research Working Group assists the Commission to oversee its research programme. Meetings are held four times a year, or more frequently if needed. Activities involve monitoring research plans, outputs and external expertise utilised in undertaking or reviewing research proposals, and ultimately providing strategic direction and guidance during the research process. Equally critical is the role in managing the policy impact of the Commission's recommendations.

The table below indicates the composition of the Research Working Group, the frequency of meetings and attendance during 2022/23.

Name of member	Research Working Group meeting attendance and dates			
	25 and 26 April 2022	14 June 2022	14 October 2022	21 February 2023
Dr Patience Nombeko Mbava (CP)	✓	✓	✓	✓
Mr Michael Sachs (DCP)	✓	✓	A	A
Prof Lourens Erasmus (C)	✓	A	✓	✓
Prof Trevor Fowler (C)	A	A	A	✓
Ms Nthabeleng Khabutlane (C)	A	A	A	A
Mr Eric Kholwane (C)	R	R	R	R
Prof Aubrey Mokadi (C)	✓	✓	✓	✓
Mr Mandla Nkomfe (C)	✓	✓	✓	✓
Ms Elsabe Rockman (C)	✓	A	✓	✓

Key: ✓ = Attended; A = Apology; CP = Chairperson; DCP = Deputy Chairperson; C = Commissioner

4. Research

The Research Programme translates and implements the Commission's strategic direction for research, ensuring that key recommendations and messages are consistent, and maintain and build the reputation of the Commission. To this end, quality research is a critical core business enabler of evidence-based recommendations. Excellence in research is unlikely to have an impact, however, unless policy analysis is packaged in a way that is understood by stakeholders and adds value to their processes. Accordingly, the effective dissemination of research insights and recommendations, and effective stakeholder management, are key to the programme's work. This includes following up on the implementation of recommendations and innovations in how the Commission engages its stakeholders.

5. Compliance with legislation

As the Executive Authority, the Chairperson is responsible for overall strategic and governance oversight. As the Accounting Officer, the CEO has the ultimate responsibility to monitor and ensure institutional and financial compliance. The function of ensuring regulatory compliance within the operational divisions is the responsibility of the executive managers.

6. Risk management

Risk management forms an integral part of the Commission's plan to deliver effectively and efficiently on its mandate. The Commission identifies and manages strategic risks associated with the outcomes in its strategic plan, as well as operational risks in line with its mandate. The Commission maintains a risk register, which is reviewed to ensure that risk is managed, and to identify new and emerging

risks. Risk reports are tabled at meetings of the Audit and Risk Committee. The internal auditors use the Risk Register to plan their risk-based audits. The Audit and Risk Committee monitors the implementation of risk management in a systematic and regular manner. Risk management underpins the Commission's strategic and operational management and is integrated into its activities at all levels, from planning to execution, and from oversight to control.

7. Fraud and corruption prevention

All staff members have a duty to report knowledge or suspicion of fraud and corruption. The implementation and monitoring are done through compliance and risk reporting. The Commission has intensified its focus on fraud awareness and prevention, including reviewing and strengthening internal controls, as a result of the forensic investigations underway.

8. Health, safety and environmental issues

The Commission cares for its employees and their work environment and seeks to ensure, as far as is reasonably possible, the health and safety of all employees in the workplace and of all other persons conducting business on its premises. The Commission is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993). No material health, safety or environmental issues were raised during the year.

9. Office of the CEO

The CEO is responsible for the formation and development of an efficient administration, including the organisation, control, management and discipline of staff. The CEO is responsible for implementing the decisions of the Commission in terms of human resource management, information and communication technology (ICT) and facilities management. The human resources focus is to provide support to Commission employees as the Commission's primary asset. In the ICT arena, focus is on the establishment of coordinated, coherent, high-quality, innovative and cost-effective systems and processes that meet the needs of the Commission. The Facilities Management Unit supports a secure and conducive working environment. The Accounting Officer oversees the finance function to support and assist the Commission in the effective, efficient and transparent financial management of its resources, including sound budgeting and budgetary control practices, the ongoing implementation of internal controls, and the timely production of financial reports. Supply chain management is the responsibility of the finance function. The internal controls have been reviewed and will be monitored on a continuous basis to ensure that they are efficient, effective and adequate.

10. B-BBEE compliance performance information

The following table has been completed in accordance with the compliance to the broad-based black economic empowerment (B-BBEE) requirements of the B-BBEE Act of 2013, and as determined by the Department of Trade, Industry and Competition.

Has the Financial and Fiscal Commission applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1–8) with regard to the following:		
Criteria	Response Yes / No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	This is not applicable to the FFC.
Developing and implementing a preferential procurement policy?	No	The FFC implements the Preferential Procurement Policy developed by National Treasury while its policy is under development.
Determining qualification criteria for the sale of state-owned enterprises?	No	This is not applicable to the FFC.
Developing criteria for entering partnerships with the private sector?	No	This is not applicable to the FFC.
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	This is not applicable to the FFC.

PART D

HUMAN RESOURCES MANAGEMENT



PART D: HUMAN RESOURCES MANAGEMENT

This section indicates the workforce profile in terms of the total number of people on the staff establishment, inclusive of fixed-term contract employees, which include interns. The vacant positions are shown as of 31 March 2023. Plans are in progress to fill these vacancies. Currently, most of the vacant positions indicated have been filled.

1. Personnel expenditure

The personnel expenditure table provides an overview of the Commission's personnel cost composition by salary level for the year ending 31 March 2023.

1.1. Personnel costs by salary band

Salary levels	Personnel expenditure (R)	Percentage of total personnel cost	Average personnel cost per employee (R)
Salary levels 1–2	233 810.23	1%	116 905.12
Salary levels 3–5	732 410.00	3%	366 204.89
Salary levels 6–8	3 637 737.31	16%	279 825.95
Salary levels 9–12	8 905 356.25	39%	523 844.49
Salary levels 13	2 813 779.59	12%	703 444.90
Salary levels 14–15	5 059 612.59	22%	1 011 922.52

2. Employment changes

2.1. Appointment and terminations

Salary levels	Appointments	Terminations	Total staff establishment 31 March 2023
Salary levels 1–2	1	0	2
Salary levels 3–5	0	2	2
Salary levels 6–8	0	8	2
Salary levels 9–12	10	7	18
Salary level 13	3	1	5
Salary levels 14–15 (executive management)	0	2	3
Total	14	21	33

A further breakdown is provided in section 2.2. and 2.3.

2.2. Employment and vacancies by programme

The following table indicates the employment and vacancy trends by programme as at 31 March 2023.

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate (%)	Number of employees additional to the establishment
Research	32	12	23.08%	0
Administration	14	9	17.31%	0
Office of the Chairperson	6	3	5.77%	0
Total	52	24	46.15%	0

2.3. Senior Management Service (SMS) posts*

The following table shows the filling of posts defined as SMS in the public service as at 31 March 2023:

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	Percentage of SMS posts filled (%)	Total number of SMS posts vacant	Percentage of SMS posts vacant (%)
Salary level 15	1	0	0	1	100%
Salary level 14	3	3	30.00%	0	0.00%
Salary level 13	6	5	50.00%	1	10.00%
Total	10	8	80.00%	2	20.00%

The following table shows the advertising and filling of SMS posts for the period 1 April 2022 to 31 March 2023:

SMS level	Advertising	Filling of posts	
	Number of vacancies per level advertised in six months of becoming vacant	Number of vacancies per level filled in six months of becoming vacant	Number of vacancies per level not filled in six months but filled in 12 months
Salary level 14	0	0	0
Salary level 13	3	3	0
Total	3	3	0

The following table shows the reasons for not having complied with the filling of funded vacant SMS posts that were advertised within six months after becoming vacant for the period 1 April 2022 to 31 March 2023.

Reasons for vacancies advertised, but not filled within six months

One position was not filled due to organisational structure changes, while the other was re-advertised.

Reasons for vacancies not filled within 12 months

Not applicable

Disciplinary steps taken for vacancies advertised, but not filled within six or 12 months

Not applicable

2.4. Reasons for staff terminations

In terms of the staff categories, the Commission reports seven terminations. Below are terminations and reasons, which reflects as 63.64% termination out of the total headcount in the 2022/23 financial year.

Termination type	Number
Resignation	6
Retirement	0
Contract expiry	8
Dismissal	0
Retrenchments	3
Mutual termination	4
Total	21

3. Total number of employees per occupational level as of 31 March 2023

3.1. Headcount

The table below shows the Commission's headcount classification per occupational level as of 31 March 2023. The headcount includes employees appointed permanently and on fixed-term contracts. Analysis shows that, in terms of gender, females account for 57.57% and males for 42.42% of the Commission's headcount. The distribution of race is African 78.78%, Coloured 9.09%, Indian 3.03%, Asian 3.03% and white 6.06%.

Occupational bands	Male					Female					Total
	African	Asian	Coloured	Indian	White	African	Asian	Coloured	Indian	White	
Executive management	1	1	0	0	0	0	0	0	1	0	3
Senior management (SMS)	2	0	0	0	0	0	0	2	0	1	5
Professionally qualified and experienced specialists and mid-management	7	0	1	0	0	5	0	0	0	1	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	0	0	0	0	7	0	0	0	0	9
Semi-skilled and discretionary decision making	1	0	0	0	0	1	0	0	0	0	2
Unskilled and defined decision making	0	0	0	0	0	2	0	0	0	0	2
Total	12	1	1	0	0	14	0	2	1	2	33
Persons who have declared disabilities	0	0	0	0	0	0	0	0	0	0	0

4. Training and development philosophy

The Commission is committed to developing a workforce that can realise its current and future vision. It will achieve this by providing employees at all organisational levels with appropriate learning and development opportunities. All new employees, both permanent and fixed-term contract employees, receive orientation within their first months of employment regarding the Commission's philosophy, organisational values and mandate.

A blended approach is adopted to learning and development, which recognises both formal training (including bursaries) and on-the-job training. The table below indicates training interventions provided by service providers that were attended during 2022/23.

Salary levels	Number of employees	Number of employees trained	Number of training interventions attended	Total training cost/payment (R)	Average training payment per employee (R)
Salary levels 1–2	2	0	0	0	
Salary levels 3–5	2	0	0	0	
Salary levels 6–8	2	0	0	0	
Salary levels 9–12	18	1	1	9 735.00	0.93%
Salary level 13	5	0	0	0	
Salary level 14-15 (executive management)	3	1	1	7 200.00	0.69%
Total	33	0		16 935.00	

5. Performance rewards

There was no performance reward distribution for non-management services and executives for the financial year ended 31 March 2023.

5.1. Performance reward by salary band

Salary levels	Number of employees	Number of bonus-qualifying employees	Percentage of total in group	Total bonus cost/payment (R)	Average bonus payment per employee (R)
Salary levels 1–2	2	2	0	0	0
Salary levels 3–5	2	2	0	0	0
Salary levels 6–8	2	2	0	0	0
Salary levels 9–12	18	18	0	0	0
Salary level 13	5	5	0	0	0
Salary level 14-15 (executive management)	3	3	0	0	0
Total	33	33	0	0	0

6. Leave utilisation

6.1. Disability leave (temporary and permanent)

Employee wellness information is always shared with employees. Such information helps them to adopt and maintain healthy behaviours and lifestyles. Healthy behaviours lead to lower health risks, and lower health risks lead to less chronic disease. As a result, the Commission recorded no temporary disability leave during 2022/23.

6.2. Leave pay-out

Leave pay-out on termination of service	Total amount (R)	Number of employees	Average payment per employee (R)
	693 871.00	19	36 520.00
Total			

7. Labour relations trends

7.1. Grievances lodged

No formal grievance was lodged during 2022/23.

7.2. Dismissal

No employee left the Commission because of dismissal during 2022/23.

8. Injury on duty

During 2022/23, no injury on duty cases were reported. This is due to preventative precautionary measures consistently taken by the Commission to create a safe and conducive working environment, and to be in compliance with the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and Regulations.

PART E

PFMA COMPLIANCE REPORT



PART E: PFMA COMPLIANCE REPORT

1. Irregular, fruitless and wasteful expenditure and material losses

1.1. Irregular expenditure

Reconciliation of irregular expenditure

Description	2022/23	2021/22
	R	R
Opening balance	16 359 004	12 753 328
Add: Irregular expenditure confirmed	1 910 474	3 605 676
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	18 269 478	16 359 004

The irregular expenditure incurred in the current year related to historical contracts that were not terminated by the Commission.

Reconciling notes

Description	2023/22	2022/21
	R	R
Irregular expenditure that was under assessment in 2021/22 (2020/21)	-	-
Irregular expenditure that relates to 2021/22 (2020/21) and identified in 2022/23 (2021/22)	-	77 463
Irregular expenditure for the current year	1 910 474	3 528 213
Total	1 910 474	3 605 676

Details of current and previous-year irregular expenditure (under assessment, determination and investigation)

Description ¹	2023/22	2022/21
	R	R
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	18 269 478	16 359 004
Total²	18 269 478	16 359 004

Investigations into irregular expenditure incurred by the Commission in prior financial years had not been concluded by the end of the financial year.

¹ Group similar items

² Total unconfirmed irregular expenditure (assessment), losses (determination) and criminal conduct (investigation)

Details of current and previous-year irregular expenditure condoned

Description	2022/23	2021/22
	R	R
Irregular expenditure condoned	-	-
Total	-	-

The irregular expenditure for the Commission is still currently under investigation.

Details of current and previous-year irregular expenditure removed (not condoned)

Description	2022/23	2021/22
	R	R
Irregular expenditure not condoned and removed	-	-
Total	-	-

The irregular expenditure for the Commission is still currently under investigation.

Details of current and previous-year irregular expenditure recovered

Description	2022/23	2021/22
	R	R
Irregular expenditure recovered	-	-
Total	-	-

No irregular expenditure has been recovered in the current financial year.

Details of current and previous-year irregular expenditure written off (irrecoverable)

Description	2022/23	2021/22
	R	R
Irregular expenditure written off	-	-
Total	-	-

No irregular expenditure has been written off in the current financial year.

Details of current and previous-year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken

Include discussion here where deemed relevant.

1.2. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Description	2022/23	2021/22
	R	R
Opening balance	3 618 902	2 909 038
Add: Fruitless and wasteful expenditure confirmed	13 842	714 790
Less: Fruitless and wasteful expenditure written off	-	-
Less: Fruitless and wasteful expenditure recoverable	-	-4 926
Closing balance	3 632 744	3 618 902

The Commission incurred fruitless and wasteful expenditure related to the non-submission of Compensation for Occupation Injuries and Diseases Act (COIDA) return of earnings to the Compensation Fund from the 2019 financial year.

Reconciling notes

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure that was under assessment in 2021/22 (2020/21)	-	-
Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	-
Fruitless and wasteful expenditure for the current year	13 842	714 790
Total	13 842	714 790

Details of current and previous-year fruitless and wasteful expenditure (under assessment, determination and investigation)

Description ³	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-13 842	-
Fruitless and wasteful expenditure under investigation	3 618 902	3 618 902
Total⁴	3 632 744	3 618 902

Investigations into fruitless and wasteful expenditure incurred by the Commission in prior financial years had not been concluded by the end of the financial year.

Details of current and previous-year fruitless and wasteful expenditure recovered

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure recovered	-	4 692
Total	-	4 692

3 Group similar items

4 Total unconfirmed fruitless and wasteful expenditure (assessment), losses (determination) and criminal conduct (investigation)

Details of current and previous-year fruitless and wasteful expenditure not recovered and written off

Description	2022/23	2021/22
	R	R
Fruitless and wasteful expenditure written off	-	-
Total	-	-

No fruitless and wasteful expenditure was written off in the current financial year.

Details of current and previous-year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken

Include discussion here where deemed relevant.

2. Additional disclosure relating to material losses in terms of the PFMA section 40(3)(b)(i) and (iii)

The Commission did not incur any material losses in the year under review or in any previous years.

2.1. Late and/or non-payment of suppliers

Description	Number of invoices	Consolidated value (R)
Valid invoices received	558	21 088 911.98
Invoices paid within 30 days or agreed period	555	19 653 530.27
Invoices paid after 30 days or agreed period	3	19 152.57
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	17	240 601.40

Three invoices were paid late due to deficiency in financial control. Seventeen invoices were not paid and are disputed. Fifteen are from the same supplier.

3. Supply chain management

3.1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract (R)
Gauteng Office Rental	Dipula Property Investment Trust	Deviation	DEV220601	2 797 289.40
Total				2 797 289.40

3.2. Contract variations and expansions

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value (R)	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation (R)
Relocation of office files	Stuttaford The Laser Transport Group	Variation	RFQ221101	333 983.00	N/A	23 759.00
FFC Strategic Organisational Alignment and Restructuring (SOAR)	La Borgueois (Pty) Ltd	Variation	RFQ220604	487 500.00	N/A	72 675.06
Leasing of printers	Konica Minolta	Variation	RFQ220103	284 412.48	N/A	20 170.70
Microsoft Licence	Dyanafrika IT Solution	Variation	RFQ220605	596 706.35	N/A	61 604.00
Total				1 702 601.83		178 208.76

PART F

FINANCIAL INFORMATION



PART F: FINANCIAL INFORMATION

1. Statement of responsibility and approval of the annual financial statements for the year ended 31 March 2023

The annual financial statements have been prepared in accordance with the Standards of GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Commission, and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Commission sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Commission, and all employees are required to maintain the highest ethical standards in ensuring that the institution's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the institution. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management in respect of 2021/22, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements or deficit.

The Accounting Officer has reviewed the Commission's cash flow forecast for the year up to 31 March 2023 and, in light of this review and the current financial position, is satisfied that the Commission has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the Commission is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the Commission. The Commissioners are accountable for the fiduciary governance and management of the Commission. The Chief Executive Officer, as the Accounting Officer of the Commission, is responsible for its financial affairs.

The annual financial statements set out in this Annual Report were approved and signed by the Accounting Officer.



MR CW TSENG

Acting Chief Executive Officer

Date: 31 July 2023

2. Report of the Audit and Risk Committee for the year ended 31 March 2022

2.1. Legislative requirements

The Audit and Risk Committee herewith presents its report for the financial year ended 31 March 2023, as required by section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999) (PFMA), read with Treasury Regulation 3.1.13.

2.2. Audit and Risk Committee members and attendance

2.2.1. The Audit and Risk Committee was established in accordance with section 38(1)(a)(ii) and section 77 of the PFMA. The Audit and Risk Committee Charter requires that the Audit and Risk Committee comprises a minimum of three and a maximum of six members.

2.2.2. The Audit and Risk Committee comprised five members in the 2022/23 financial year, including the Chair, Ms Mamabolo. In terms of section 77(b) of the PFMA, the Audit and Risk Committee must meet at least twice a year. During the financial year ended 31 March 2023, the Audit and Risk Committee met on five occasions. The table below shows the attendance of these meetings:

Name	Designation	20 April 2022	16 May 2022	22 July 2022	13 October 2022	19 January 2023
Ms Zipphora Mamabolo	Independent chairperson	✓	A	✓	✓	✓
Ms Bongwiwe Mbomvu	Independent member	✓	✓	✓	✓	✓
Mr Unathi Mkiva	Independent member	✓	✓	✓	A	✓
Ms Shelmadene Petzer	Independent member	✓	✓	✓	✓	✓

2.2.3. The members of the Audit and Risk Committee held meetings with the Accounting Officer, the institution's senior management, its Internal Audit function and the external auditors, collectively and individually, on matters related to governance, internal controls and risk in the institution, throughout the period under review. The Committee Chairperson attended the Commission's quarterly meetings to report on governance, internal controls, risk, performance and financial information, and other relevant matters concerning the institution.

2.2.4. The Commission appointed a three-member Audit and Risk Committee on 4 May 2023 to replace the four-member Audit and Risk Committee. Mr Thulani Duncan Ntuli was appointed as Chairperson. The other two members are as follows.

Ms Seipati Boulton Member

Mr Mvuleni Bukula Member

2.3. Audit and Risk Committee responsibilities

2.3.1. The Audit and Risk Committee has complied with its responsibilities arising from section 38(1)(a)(ii) of the PFMA, read with Treasury Regulation 3.1.10, and reports that it operated in terms of the Audit and Risk Committee Charter, read in conjunction with the Internal Audit Charter.

2.4. Effectiveness of internal control

- 2.4.1. The Audit and Risk Committee acknowledges management's efforts to strengthen internal controls in the institution. There is a need for increased technical support, monitoring and evaluation by management to unlock the full potential of these efforts.
- 2.4.2. The Audit and Risk Committee is satisfied that the majority of matters reported by the external auditors and the Internal Audit function in prior years has been fully and satisfactorily addressed. Management has provided assurance that effective corrective action will be implemented in respect of all internal control weaknesses, and the Audit and Risk Committee will monitor these going forward.
- 2.4.3. Vacancies undermine the effective functioning of the system of internal control, and it is imperative that management reviews its recruitment procedures and processes to ensure that vacancies are filled expeditiously with properly qualified, skilled and experienced personnel.
- 2.4.4. The institution has adopted aggressive anti-corruption measures to curb the frequency and magnitude of fraud and corruption. The Audit and Risk Committee is not completely satisfied with the prevention of fraud, and these concerns have been raised with management. The Audit and Risk Committee has requested that a detailed Fraud Prevention Plan and progress reports on the action plans for addressing the fraud risks be tabled at each quarterly meeting of the Audit and Risk Committee.

2.5. The quality of monthly and quarterly reports submitted in terms of the PFMA

- 2.5.1. The Audit and Risk Committee is satisfied with the content and quality of management and quarterly reports prepared and issued during the period under review in compliance with the statutory framework.
- 2.5.2. The Audit and Risk Committee has engaged with management to remedy shortcomings, especially relating to reports on performance against predetermined objectives.
- 2.5.3. The Audit and Risk Committee has recommended that the institution prepare interim financial statements that comply with the financial reporting framework, the Standards of Generally Recognised Accounting Practice (GRAP), which could assist in performing reconciliations timeously, as well as in eliminating year-end adjustments.
- 2.5.4. The Audit and Risk Committee has reviewed and commented on the institution annual financial statements and report on performance information and their timely submission to the external auditors by 31 May.

2.6. Internal Audit function

- 2.6.1. The Accounting Officer is obliged, in terms of the PFMA, to ensure that the institution has a system of internal audit under the control and direction of the Audit and Risk Committee.
- 2.6.2. The Audit and Risk Committee was not satisfied that the Internal Audit function was not appointed for the full financial year. However, an internal auditor was appointed during the financial year. Furthermore, the Internal Audit capacity was enhanced by co-sourcing parts of the Internal Audit function to Nikilitha Consulting.

- 2.6.3. The Audit and Risk Committee expects these initiatives to contribute to the Internal Audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.
- 2.6.4. The Audit and Risk Committee supports the direction that the Internal Audit function is adopting in providing the necessary skills and agility required for the function to respond quickly and effectively to the demands of internal audit in the institution.
- 2.6.5. The Committee is not satisfied that the Internal Audit function was operating effectively and that it has addressed the risks pertinent to the institution.

2.7. Risk management function

- 2.7.1. The Audit and Risk Committee is responsible for the oversight of the risk management function.
- 2.7.2. The Audit and Risk Committee monitored implementation of the strategic risk mitigations and quarterly reports from management, and is satisfied with the maturity of the risk management process.

2.8. Evaluation of the finance function

- 2.8.1. For the financial year under review, the Commission had a permanent Chief Financial Officer. This assisted the significant improvement in the control environment as most of the internal control deficiencies that had been identified in the previous years had been addressed. This was achieved through the close monitoring of controls on a regular basis, and clear leadership tone to ensure that a strong control environment is achieved.
- 2.8.2. On the whole, the Audit and Risk Committee was satisfied with the institution's finance function during the period under review.

2.9. Performance management

- 2.9.1. Part of the responsibilities of the Audit and Risk Committee includes the review of performance management. The Audit and Risk Committee has, in terms of the performance of the institution, performed the following functions:
- Reviewed and commented on compliance with statutory requirements and performance management best practices and standards.
 - Reviewed and commented on the alignment of the annual performance plan, budget, strategic plan, corporate plan and performance agreements.
 - Reviewed and commented on the relevance of indicators to ensure that they are measurable and relate to services performed by the institution.
 - Reviewed and reported non-compliance with legislation.
 - Reviewed compliance with in-year reporting requirements.
 - Reviewed and commented on the institution's performance management system and made recommendations for its improvement.
- 2.9.2. The Audit and Risk Committee is satisfied that the performance report has been prepared in terms of the PFMA, Treasury Regulations and any other related regulatory requirements for reporting performance.

2.10. Evaluation of the annual financial statements

2.10.1. The Audit and Risk Committee has reviewed the annual financial statements, which focused on the following:

- Significant financial reporting judgements and estimates contained in the annual financial statements
- Clarity and completeness of disclosures, and whether disclosures made have been set properly in context
- The quality and acceptability of, and any changes in, accounting policies and practices
- Compliance with accounting standards and legal requirements
- Significant adjustments and/or unadjusted differences resulting from the audit
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted
- Reasons for major year-on-year fluctuations
- Asset valuations and revaluations
- Calculation and levels of general and specific provisions
- Write-offs and reserve transfers
- The basis for the going-concern assumption, including any financial sustainability risks and issues

2.10.2. Except for the matters identified by the Auditor-General in the Audit Report, the Audit and Risk Committee is comfortable that the annual financial statements have been prepared in terms of the Standards of GRAP and the requirements of the PFMA.

2.11. External Auditor's report

2.11.1. The Audit and Risk Committee concurs with and accepts the conclusion and audit opinion of the external auditors on the annual financial statements. The Committee is of the view that the audited financial statements be accepted and read together with the report of the external auditors. The Audit and Risk Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion.

2.11.2. The Audit and Risk Committee concurs with the findings on the reported performance information and compliance with legislation.

2.11.3. The Audit and Risk Committee has met with the external auditors to ensure that there are no unresolved issues, and acknowledges the diligence and cooperation of the external audit team.

On behalf of the Audit and Risk Committee:



MR THULANI DUNCAN NTULI

Audit Committee Chair

Financial and Fiscal Commission

31 July 2023

3. Analysis of financial statements

The Commission has improved its internal control environment and implemented its Audit Improvement Plan in the current financial year. This resulted in the achievement of an unqualified audit opinion with no findings (a clean audit). Appreciation must be given to the employees of the FFC, especially the Finance function, in diligently implementing the controls in their daily activities. This stands the Commission in good stead in its quest to lead by example.

3.1. Revenue

The Commission received its funding from non-exchange and exchange transactions.

3.1.1. Revenue received from exchange transactions

The Commission received interest of R1 476 215 (2022: R613 329) on its positive bank balance.

3.1.2. Revenue received from non-exchange transactions

The total appropriation from National Treasury for the Commission for the year ending 31 March 2023 was R63 839 000 (2022: R63 199 000), representing a 1.0% increase in revenue. This increase is in line with the MTEF, and minimal increases are expected as part of the Commission's commitment to keeping expenses and costs to a minimum. The funding from the national fiscus was exclusively used for the operations of the Commission.

3.2. Expenses

Operating expenditure decreased slightly from R65 519 424 (restated) to R54 585 650, representing a decrease of 16.7% from the previous financial year. The main fluctuations in operating expenditure were derived from the following:

- The retention of surplus application for the 2021/22 financial year was approved for the current year, resulting in the reversal of the provision raised of R12 663 589. Without the reversal of the provision, operating expenditure would have increased by 1.7%.
- The recognition of an expense related to the surrender of surplus amounting to R15 910 768 (2022: R14 628 395), as directed by National Treasury Instruction Note 12 of 2020/21. The Commission is directed to surrender any surplus, which it is not intending to request to retain, to fund commitments or other expenditure.
- Employee costs increased from R32 519 764 to R33 904 770. The cost to employer for remuneration increased slightly due to severance packages of R1 658 619 paid to employees who took up voluntary and involuntary severance packages.
- The cost of remuneration increased by 4.2%. Although the cost-of-living adjustment has not been implemented in the current financial year, a provision for this cost has been raised to align remuneration with the Department of Public Service and Administration (DPSA) guidelines for public-sector employers.

- Professional services costs decreased by 14.1% during the year, from R5 098 641 to R4 376 764. The significant decrease is driven by lower finance and supply chain management consulting fees as the function was fully capacitated in the 2022/23 financial year, and lower commissioned research fees due to the in-sourcing of all research for the financial year.
- The Commission spent R1 490 661 on ICT support during the year in its ongoing bid to strengthen the Commission's processes and procedures, and its ICT services provision, and to prepare for and allow the Commission to operate in the new work environment, which includes hybrid structures.

Other operating expenditure decreased by 6% during the year from R12 398 656 to R12 055 130. Travelling costs increased during the financial year as costs to attend stakeholder engagements at the respective legislatures increased from R1 962 442 (2022: R499 456). Rental expenditure increased in line with the escalation clauses in the Commission's lease contracts. Software and subscription costs increased in the current year as additional subscriptions were requested by the Research function to enable it to execute the Commission's core mandate more efficiently. The classification of recruitment fees and payroll support costs was made from employee costs to operating expenditure for a better presentation of the expenses of the Commission.

3.3 Assets

Current assets increased from R17.3 million in the prior year to R30.7 million. The increase was mainly due to the approval of the return of a surplus of R12.7 million and an increase in receivables from exchange transactions, mainly driven by increased prepayments in support of the Commission's Research function.

Property, plant and equipment, and intangible assets have not increased significantly, as additions of assets of only R818 845 were made during the financial year. Other movement is attributable to the depreciation or amortisation of assets, as well as the disposal of assets at the end of their useful lives.

3.4 Liabilities

Liabilities include provisions for leave pay of R1 121 183 (2022: R1 312 174). A cost-of-living adjustment provision of R699 060 was raised in the current year in line with the DPSA Guidelines for the 2022/23 financial year and the FFC's Remuneration and Rewards Policy. Payables from exchange transactions include suppliers outstanding at year-end. This has decreased in the current year to R1 332 339 (2022: R1 680 623).

3.5 Disclosures

3.5.1 Commitments

Commitments disclosed in the financial statements relate to committed and contracted capital expenditure, which has been approved by the Commission's CEO. The commitments for the year under review are predominantly driven by operational contracts that were not completed at year-end.

The Commission took a decision to close its Midrand office and consolidate its operations in Cape Town, close to the Parliament as the primary stakeholder (effective 1 April 2023). The Commission has made a commitment to fund the relocation costs of employees and their respective families to commence duty at the new offices in Cape Town. A budget of R300 000 has been made available

per employee who indicated a commitment to relocate to Cape Town to fund the relocation costs of the employee and their family. A transitional period of six months has been provided to employees to relocate, with the date of assumption of duties being 1 September 2023.

Operating lease commitments have been disclosed in accordance with the GRAP requirements for the straight-lining of lease commitments. These relate to leased office accommodation for the Commission. The Commission is currently assessing its office space needs and is planning to secure fit-for-purpose office accommodation.

3.5.2. *Related party disclosures*

Related parties of the Commission are all involved in arm's length transactions governed by legislative or contractual commitments entered into in compliance with relevant regulations.

3.5.3. *Irregular, and fruitless and wasteful expenditure*

The Commission continues to incur significant irregular, and fruitless and wasteful expenditure as a result of contracts entered into in previous financial years:

Type of expenditure	On contracts entered into prior to 2022/23	On contracts entered into in 2022/23	Total
Irregular	R1 910 474	R0	R1 910 474
Fruitless and wasteful	R13 842	R0	R13 842

Although improvements in relation to new contracts or transactions have been made, management is committed to ensuring that no irregular or fruitless and wasteful expenditure is incurred by the Commission.

The Commission has appointed forensic investigators to look into the irregular expenditure incurred and to recommend the appropriate process to be followed by the Commission in an effort to ensure that effective consequence management is implemented.

3.6. **Major event expenditure**

The Commission did not incur any expenditure in respect of any major event during the period under review that was not related to its mandate.

3.7. **Constraints**

In a knowledge-intensive domain, the Commission remains critically aware of the importance of its staff. The Commission will prioritise its research programme to strengthen its ability to generate influential policy advice, based on credible research, and to increase its empirical data capacity. Suitable research expertise is difficult to secure, however. The specialist technical skills required mean that there is a limited pool of researchers from which to recruit. The attraction of talent, and the management and retention of competent staff remains a key imperative.

3.8. Corporate governance arrangements

3.8.1. Internal Audit function

The Commission appointed an Internal Audit function in October 2022. This has assisted the Commission in its ability to improve its internal control environment. Furthermore, the Commission appointed a co-sourced function in December 2022 to improve the capacity of this function and improve its assurance levels.

3.8.2. Risk management

The Commission appointed a Risk and Compliance function in October 2022 to assist in improving its Risk Management and Compliance function. The discharge of this responsibility devolves to all members of executive management and is coordinated by the Risk and Compliance function.

Management has reviewed the Commission's Risk Management Strategy, which informed the continuous integration of risk management into the daily activities of the Commission.

Management has created awareness and instituted risk management processes and procedures in alignment with the public-sector Risk Management Framework in the form of an independent risk review process. The Commission updated its risk profile, which is monitored by internal governance structures on an ongoing basis, including the executive management team and the Audit and Risk Committee.

While it was developing its risk profile, the Commission paid special attention to identifying and assessing strategic risks.

3.9. New activities

Except for requests received from stakeholders in terms of section 3 of the Financial and Fiscal Commission Act, 1997, there were no other new activities during the course of the period under review.

3.10. Asset management

In terms of section 38(1)(b) of the PFMA, the CEO, as the Commission's Accounting Officer, is responsible for the effective, efficient, economical and transparent use of its resources.

In addition to the normal daily administration and management of the Commission's asset register, appropriate activities were undertaken to improve the Commission's overall asset management environment. The Commission ensured that its assets were properly tagged, verified and accounted for. Any lost or redundant assets were identified and removed from the asset register. An asset verification process was conducted to ensure that Commission assets are accounted for and accurately reported in the annual financial statements.

3.11. Performance information

Divisional heads report to the CEO on a regular basis on progress made regarding functional delivery and measurable outputs, as contained in the Commission's Strategic Plan.

3.12. Standing Committee on Public Accounts (SCOPA)

There were no SCOPA resolutions relating to the Commission in 2022/23.

3.13. Surplus and reserves

At the beginning of the year, the Commission received approval to use its accumulated surplus towards operations. The Commission has assessed its budget requirements and will request retaining only part of the surplus related to contracted commitments in the upcoming year.

3.14. Budget

The Commission's budget was submitted to National Treasury in terms of the PFMA. There was no surplus or deficit in the budget.

3.15. Executive Authority

The Commission's Executive Authority is its Chairperson in terms of the Treasury Regulations to the PFMA.

Name	Position	Period served during the 2022/23 financial year
Dr N Mbava	Chairperson	1 April 2022 to 31 March 2023

3.16. Approval

As the Accounting Officer, I have approved the annual financial statements set out on pages 55 to 91.



MR CW TSENG

Acting Chief Executive Officer

Date: 31 July 2023

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL AND FISCAL COMMISSION

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Financial and Fiscal Commission set out on pages 55 to 91, which comprise the Statement of Financial Position as at 31 March 2023, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as the Notes to the Financial Statements, including a summary of significant Accounting Policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Fiscal Commission as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Statement of GRAP and the requirements of the Public Finance Management Act, Act No. 1 of 1999 (PFMA,) and the Division of Revenue, Act No. 5 of 2022 (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the financial statements section of my report.
4. I am independent of the Commission in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including the International Independence Standards) (IESBA Code), as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Provisions

7. As disclosed in Note 11 to the financial statements, the Commission has disclosed the provision for the surrender of surplus amounting to R15 910 768 (2021/22: R12 663 589).

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

National Treasury Instruction Note No. 4 of 2022/23: PFMA Compliance and Reporting Framework

9. On 23 December 2022, National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022/23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Among the effects of this framework is that irregular, and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in either the annual report or the disclosure notes of the annual financial statements. Only the current-year and prior-year figures are disclosed in Note 29 to the financial statements. Furthermore, the movements in respect of irregular expenditure, and fruitless and wasteful expenditure are no longer disclosed in the Commission's Notes to the Annual Financial Statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report. I do not express an opinion on the disclosure of irregular expenditure, and fruitless and wasteful expenditure in the annual report.

Responsibilities of the Accounting Officer for the financial statements

10. The Accounting Officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and DoRA, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the Accounting Officer is responsible for assessing the Commission's ability to continue as a going concern; disclosing, as applicable, matters relating to a going concern, and using the going-concern basis of accounting, unless the appropriate governance structure either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Auditor-General for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error; and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the Annexure to this Auditor's Report.

Report on the audit of the Annual Performance Report

14. In accordance with the Public Audit Act, Act No. 25 of 2004 (PAA), and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the Annual Performance Report. The Commission is responsible for the preparation of the Annual Performance Report.

15. I selected the following programme presented in the Annual Performance Report for the year ended 31 March 2023 for auditing. I selected a programme that measures the Commission's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page	Purpose
Programme 2: Research	16	Provide research and evidence-based recommendations to advise and inform policymakers on financial and fiscal matters

16. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an Annual Performance Report is prepared using these criteria, it provides useful and reliable information and insights to users on the Commission's planning and delivery on its mandate and objectives.

17. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the Commission's mandate and the achievement of its planned objectives;
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements;
- the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated;
- the indicators and targets reported on in the Annual Performance Report are the same as what was committed to in the approved initial or revised planning documents;
- the reported performance information is presented in the Annual Performance Report in the prescribed manner; and
- there provide adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

19. I did not identify any material findings on the reported performance information of the selected programme.

Achievement of planned targets

20. Refer to the annual performance report on page 16 for information on the achievement of planned targets for the year.

Report on compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Officer is responsible for the Commission's compliance with legislation.

22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the Commission's financial and performance management, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the Annexure to this Auditor's Report.

24. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the Annual Report

25. The Accounting Officer is responsible for the other information included in the Annual Report. The other information referred to does not include the financial statements, the Auditor's Report and the selected programme presented in the Annual Performance Report that have been specifically reported on in this Auditor's Report.

26. My opinion on the financial statements, the report on the audit of the Annual Performance Report and the report on compliance with legislation do not cover the other information included in the Annual Report and I do not express an audit opinion or any form of assurance conclusion on it.

27. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programme presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report on that fact.

29. I have nothing to report in this regard.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, Annual Performance Report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town
31 July 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

The annexure includes the following:

- The Auditor-General's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the Commission's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this Auditor's Report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the use of the going-concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Commission to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this Auditor's Report. However, future events or conditions may cause the Commission to cease operating as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures; and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	PFMA 40(1)(a); 40(1)(b); 40(1)(c)(i) PFMA 38(1)(b); 38(1)(c)(ii); 45(b) PFMA 38(1)(d) PFMA 38(1)(h)(iii) PFMA 44; 45(b)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities	Treasury Regulation 17.1.1; 18.2; 19.8.4 Treasury Regulation 8.1.1; 8.2.1; 8.2.3; 9.1.1; 15.10.1.2(c) Treasury Regulation 10.1.1(a); 10.1.2; 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7 Treasury Regulation 8.4.1 Treasury Regulation 5.1.1; 5.2.1; 5.2.3(a); 5.3.1 Treasury Regulation 4.1.1; 4.1.3; 9.1.4; 12.5.1; 16A9.1(b)(ii); 16A9.1(e); 16A9.1(f) Treasury Regulation 16A 3.2 (fairness); 16A6.1; 16A6.2(a) and (b); 16A6.2(e); 16A6.3(a); 16A6.3(a)(i); 16A6.3(b); 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A8.3; 16A8.4; 16A9.1(d); 16A9.1(e); 16A9.2(a)(ii)
Public Service Regulation	Public Service Regulation 18(1) and (2)
Prevention and Combating of Corrupt Activities Act No.12 of 2004	Section 34(1)
Construction Industry Development Board Act No.38 of 2000	Section 18(1)
CIDB Regulations	CIDB Regulation 17; 25(7A)
Preferential Procurement Policy Framework Act	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations 2017	Paragraph 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.8; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1
Preferential Procurement Regulations 2022	Paragraph 4.4
State Information Technology Agency (SITA) Act	SITA Act section 7(3)
National Treasury Supply Chain Management Instruction Note 3 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(c)-(d); 7.2
National Treasury Supply Chain Management Instruction Instruction 4A of 2016/17	Paragraph 6
National Treasury Supply Chain Management Instruction Instruction Note 11 2020/21	Paragraph 3.1; 3.4(a); 3.9
National Treasury Supply Chain Management Instruction Instruction Note 2 of 2021/22	Paragraph 3.2.1; 3.2.4(a) and (b); 3.3.1
Practice Note 5 of 2009/10	Paragraph 3.3
National Treasury Instruction Note 4 of 2015/16	Paragraph 3.4
Second Amendment of National Treasury Instruction Note 5 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum National Treasury Instruction Note 5 of 2021/21	Paragraph 1
Erratum National Treasury Instruction Note 5 of 2021/21	Paragraph 2
National Treasury Instruction Note 1 of 2021/22	Paragraph 4.1

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

Figures in rand	Note(s)	2023	2022
Assets			
Current assets			
Receivables from exchange and non-exchange transactions	3	2 841 983	1 038 145
Deposit – Current portion	7	194 290	25 000
Cash and cash equivalents	4	27 678 102	16 255 724
		30 714 375	17 318 869
Non-current assets			
Receivables from exchange and non-exchange transactions	3	-	196 703
Property, plant and equipment	5	1 872 839	1 991 925
Intangible assets	6	536 173	596 767
Deposit	7	1 041 219	194 290
		3 450 231	2 979 685
Total assets		34 164 606	20 298 554
Liabilities			
Current liabilities			
Operating lease liability	8	51 207	84 842
Finance lease liability	9	59 522	-
Payables from exchange transactions	10	1 332 339	1 680 623
Provisions	11	17 785 327	14 455 329
		19 228 395	16 220 794
Non-current liabilities			
Operating lease liability	8	-	51 207
Finance lease liability	9	80 854	-
		80 854	51 207
Total liabilities		19 309 249	16 272 001
Net assets		14 855 357	4 026 553
Accumulated surplus		14 855 357	4 026 553
Total net assets and liabilities		34 164 606	20 298 554

STATEMENT OF FINANCIAL PERFORMANCE

Figures in rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Interest received	12	1 476 215	613 329
Other income	12	2 000	7 326
Profit on disposal of assets	13	97 237	-
Total revenue from exchange transactions		1 575 452	620 655
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	14	63 839 000	63 199 000
Total revenue		65 414 452	63 819 655
Expenditure			
Employee-related costs	15	(33 904 770)	(31 430 687)
Depreciation and amortisation	16	(930 620)	(294 959)
Finance costs	17	(25 129)	(563 283)
Debt Impairment	18	(46 058)	-
Professional services	19	(4 376 764)	(5 098 641)
Loss on disposal of assets	13	-	(15 726)
Surrender of surpluses	20	(3 247 179)	(14 628 395)
Operating expenses	21	(12 055 130)	(13 487 733)
Total expenditure		(54 585 650)	(65 519 424)
Surplus (deficit) for the year		10 828 802	(1 699 769)

STATEMENT OF CHANGES IN NET ASSETS

Figures in rand	Accumulated surplus/(deficit)	Total net assets
Balance at 1 April 2021	5 726 321	5 726 321
Deficit for the year	(1 699 769)	(1 699 769)
Balance at 1 April 2022	4 026 555	4 026 555
Surplus for the year	10 828 802	10 828 802
Balance at 31 March 2023	14 855 357	14 855 357

CASH FLOW STATEMENT

Figures in rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Grants		63 839 000	63 199 000
Other income		2 000	-
Interest income	12	1 476 215	613 329
		65 317 215	63 812 329
Payments			
Employee costs		(33 984 971)	(30 869 608)
Suppliers		(18 269 360)	(18 539 762)
Finance costs		(25 129)	(563 283)
Surplus surrendered		-	(19 709 955)
		(52 279 460)	(69 682 608)
Net cash flows from operating activities	22	13 037 755	(5 870 279)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(636 431)	(131 091)
Proceeds from sale of property, plant and equipment	5&13	90 600	9 775
Movement in deposit		(1 016 218)	(25 000)
Net cash flows from investing activities		(1 562 049)	(146 316)
Cash flows from financing activities			
Finance lease payments		(53 328)	-
Net increase/(decrease) in cash and cash equivalents		11 422 378	(6 016 595)
Cash and cash equivalents at the beginning of the year		16 255 724	22 272 319
Cash and cash equivalents at the end of the year	4	27 678 102	16 255 724

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on cash basis

Figures in rand	Approved budget	Actual amount on accrual basis	Adjustment of actual amounts from accrual to cash basis	Actual amounts on cash basis	Difference between final budget and actual	Note 27 Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received	104 000	1 476 215	-	1 476 215	(1 372 215)	1
Other income	-	2 000	-	2 000	(2 000)	1
Profit on sale of asset	-	97 237	(6 637)	90 600	(90 600)	
Total revenue from exchange transactions	104 000	1 575 452	(6 637)	1 568 815	(1 464 815)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	63 839 000	63 839 000	-	63 839 000	-	
Expenditure						
Employee costs	(39 426 647)	(33 904 770)	124 001	(33 780 769)	(5 645 878)	12
Depreciation and amortisation	(215 911)	(930 620)	930 620	-	(215 911)	
Finance cost	-	(25 129)	25 129	-	-	
Debt impairment	-	(46 058)	46 058	-	-	
Professional services	(7 340 905)	(4 376 764)	220 516	(4 156 248)	(3 184 657)	3
Surrender of surplus	-	(3 247 179)	3 247 179	-	-	
Operating expenditure	(12 248 487)	(12 055 130)	(1 129 357)	(13 184 487)	936 000	4
Total expenditure	(59 231 950)	(54 585 650)	3 464 146	(51 121 504)	(8 110 446)	
Operating (deficit)/ surplus	4 711 050	10 828 802	3 457 508	14 286 311	(9 575 260)	
Capital expenditure	(4 711 050)	(818 845)	182 417	(636 428)	(4 074 622)	5
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	-	10 009 957	3 639 925	13 649 883	(13 649 883)	

Refer to Note 27

ACCOUNTING POLICIES

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act (Act No. 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African rand, which is the functional currency of the Commission.

1.3 Going-concern assumption

These annual financial statements have been prepared based on the expectation that the Commission will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative figures

Where necessary, comparative figures have been reclassified or restated to conform to changes in presentation in the current year.

1.5 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged on the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.6 Significant judgments and sources of estimation uncertainty

The preparation of annual financial statements requires management to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one entity to a financial instrument will cause a financial loss for the other entity by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the Commission in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Recognition

The Commission recognises a financial asset or a financial liability in its Statement of Financial Position when the Commission becomes a party to the contractual provisions of the instrument.

The Commission measures a financial asset or financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial instruments at fair value comprise financial assets or financial liabilities that are:

Financial assets

Receivables from exchange and non-exchange transactions

Receivables from exchange transactions are categorised as loans and receivables, and consist of prepaid expenses and rental deposits. These are initially measured at fair value, and subsequently measured at amortised costing being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments.

Receivables from non-exchange transactions are categorised as staff debtors. These are initially measured at fair value, and subsequently measured at amortised costing being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments.

Financial liability

Payables from exchange transactions

Payables from exchange transactions are initially measured at fair value and subsequently measured at amortised cost. The Commission's trade and other payables relate to amounts owed to suppliers and third-party creditors.

1.8 Cash and cash equivalents

Cash comprises cash-on-hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash-on-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, which are available on demand.

1.9 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Commission or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Commission; and
- the cost or fair value of the asset can be measured reliably.

The Commission assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Provisions

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Commission settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

No obligation arises as a consequence of the sale or transfer of an operation until the Commission is committed to the sale or transfer, i.e. there is a binding arrangement.

1.12 Contingencies

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission; or a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets

Contingent assets is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission.

1.13 Revenue recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets other than increases relating to contributions from owners.

An exchange transaction is one in which the Commission receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Non-exchange transactions are those transactions where an entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Commission and these benefits can be measured reliably. Revenue comprises government grants, other income, gains on disposals and interest received.

Government grants

Government grants are the Commission's main source of revenue and are treated with reference to the guidance provided by GRAP 23: Revenue from Non-exchange Transactions. The Commission has developed an appropriate accounting policy for this basis, namely that revenue from non-exchange sources is only recognised to the extent that a corresponding asset satisfies the recognition criteria, but limited to the amount of any outstanding obligation in the form of conditions attached to the grant.

Other income

Other income is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The gain arising from the derecognition of an item of plant and equipment is included in revenue when the item is derecognised. The gain arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Interest received

Revenue arising from the use by others of Commission assets yielding interest or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission; and
- the amount of the revenue can be measured reliably.

Interest received is recognised on a time-proportion basis, taking into account the principal outstanding or invested and the effective rate over the period to maturity when it is determined that such income will accrue to the Commission.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the Commission can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

1.15 Employee benefits

Employee benefits are all forms of consideration given by the Commission in exchange for service rendered by employees. The Commission operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. This plan is funded by payments from employees and the Commission.

Termination benefits are employee benefits payable:

- as a result of the Commission's decision to terminate an employee's employment before the normal retirement date; or
- as a result of an employee's decision to accept voluntary redundancy in exchange for those benefits; or
- as a consequence of a mutual separation agreement between the employer and employee, or as a determination of the court.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

1.16 Property, plant and equipment

Property, plant and equipment are tangible, non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	25 years
Motor vehicles	Straight-line	15 years
Office equipment	Straight-line	25 years
Computer equipment	Straight-line	3–10 years
Leasehold improvements	Straight-line	Depreciated over the period of the lease
Finance lease	Straight-line	Depreciated over the period of the lease

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Commission. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Commission assesses, at each reporting date, whether there is any indication that its expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Commission revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when no further economic benefit or service potential is expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.17 Impairment

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Commission assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Commission estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.18 Commitments

Items are classified as commitments when the Commission has committed itself to future transactions that will normally result in the outflow of cash.

The Commission has included disclosure in respect of unrecognised contractual commitments.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Irregular expenditure

Irregular expenditure, as defined in section 1 of the PFMA, is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- the PFMA; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or Treasury regulations made in terms of the PFMA; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Practice Note No. 2 of 2019/20, which was issued in terms of sections 76(1) to 76(4) of the PFMA, requires the following:

- Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the Irregular Expenditure Register. In such an instance, no further action is required, with the exception of updating the Note to the Financial Statements.
- Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the Irregular Expenditure Register. No further action is required, with the exception of updating the Note to the Financial Statements.
- Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.
- Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority must be recorded appropriately in the Irregular Expenditure Register. If a liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps

must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment, and disclose such in the relevant Note to the Financial Statements. The Irregular Expenditure Register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme or expenditure item, be disclosed as such in the Note to the Financial Statements and updated accordingly in the Irregular Expenditure Register.

1.21 Budget information

The Commission is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation or similar.

General-purpose financial reporting by the Commission shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2022 to 31 March 2023.

The annual financial statements and the budget are not on the same basis of accounting. Therefore, a reconciliation between the Statement of Financial Performance and the budget have been included in the annual financial statements. Refer to Note 27.

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management is those persons responsible for planning, directing and controlling the activities of the Commission, including those charged with the governance of the Commission in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Commission.

The Commission is exempt from disclosure requirements in relation to related-party transactions if that transaction occurs within normal supplier and/or client-recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Commission to have adopted if dealing with that individual entity or person in the same circumstances, and the

terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Commission is exempt from the disclosures in accordance with the above, the Commission discloses narrative information about the nature of the transactions and the related outstanding balances to enable users of the Commission's financial statements to understand the effect of related-party transactions on its annual financial statements.

1.23 Tax

Income tax

The Commission is exempt from income tax in terms of section 10 of the Income Tax Act (Act No. 58 of 1962).

1.24 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Commission will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Commission will disclose the nature of the event and an estimate of its financial impact or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Commission has not applied the following standards and interpretations, which have been published and are mandatory for the Commission's accounting periods beginning on or after 1 April 2023 or later periods:

Standard/interpretation	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	1 April 2023	Not expected to impact results, but may result in additional disclosure
• GRAP 104 (as revised): Financial Instruments	1 April 2025	Not expected to impact results, but may result in additional disclosure
• iGRAP 21: The Effect of Past Decisions on Materiality	1 April 2023	Not expected to impact results, but may result in additional disclosure
• GRAP 2020: Improvements to the Standards of GRAP 2020	1 April 2023	Not expected to impact results, but may result in additional disclosure
• GRAP 1 (amended): Presentation of Financial Statements	1 April 2023	Not expected to impact results, but may result in additional disclosure

3. Receivables from exchange and non-exchange transactions

Figures in rand	2023	2022
Other receivables	-	182 247
Accrued income	74 545	-
Prepayments: Non-current	-	196 703
Prepayments: Current	2 767 438	855 898
	2 841 983	1 234 848
Receivables from exchange and non-exchange transactions: Non-current assets	-	196 703
Receivables from exchange and non-exchange transactions: Current assets	2 841 983	1 038 145
	2 841 983	1 234 848

In the current year, the Commission received agreement of loss on assets lost and claims submitted, from an insurance service provider, but no payment was received at year-end. This was recognised as accrued income.

Financial and Fiscal Commission
Annual Financial Statement for the year ended 31 March 2023

Prepayments relate to expenses such as subscriptions (software licences, publications, insurance, membership fees, office rental and tenant installation costs), which have been paid by the Commission in advance, the benefits of which will be enjoyed in accordance with the duration of the prepayments. Depending on the length of the prepayment, this will determine the classification between current and non-current.

Receivables past due, but not impaired

Receivables that are less than 12 months past due are not considered impaired. At 31 March 2023, R- (2022: R182 247) was past due, but not impaired.

The ageing of amounts past due, but not impaired, is as follows:

Figures in rand	2023	2022
12 months or less	-	182 247

Trade and other receivables impaired

As of 31 March 2023, trade and other receivables of R46 057 (2022: R-) were impaired and provided for.

The ageing of these amounts is as follows:

Figures in rand	2023	2022
Over 12 months	46 057	-

Reconciliation for the provision of impairment of receivables

Figures in rand	2023	2022
Opening balance	-	-
Movement in provision	46 057	-
	46 057	-

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in rand	2023	2022
Purchase cards	-	9 391
Bank balances (Nedbank)	2 019 233	16 246 332
Bank balances (South African Reserve Bank)	25 658 869	1
	27 678 102	16 255 724

5. Property, plant and equipment

Figures in rand	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	-	-	-	236 829	(227 724)	9 105
Office equipment	1 143 192	(941 092)	202 100	1 180 092	(959 425)	220 667
IT equipment	3 033 329	(1 539 870)	1 493 459	2 479 913	(761 547)	1 718 366
Leasehold improvements	26 726	(25 065)	1 661	109 598	(104 617)	4 981
Artwork	38 806	-	38 806	38 806	-	38 806
Finance lease asset	182 417	(45 604)	136 813	-	-	-
Total	4 424 470	(2 551 631)	1 872 839	4 045 238	(2 053 313)	1 991 925

Reconciliation of property, plant and equipment – 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	9 105	-	(7 082)	(2 023)	-
Office equipment	220 667	-	(6 390)	(12 177)	202 100
IT equipment	1 718 366	636 428	(54 435)	(806 900)	1 493 459
Leasehold improvements	4 981	-	-	(3 320)	1 661
Artwork	38 806	-	-	-	38 806
Finance lease asset	-	182 417	-	(45 604)	136 813
	1 991 925	818 845	(67 907)	(870 024)	1 872 839

Reconciliation of property, plant and equipment – 2022

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Motor vehicles	12 140	-	-	-	(3 035)	9 105
Office equipment	215 556	16 000	920	770	(12 579)	220 667
IT equipment	1 850 945	178 623	(96 639)	-	(214 563)	1 718 366
Leasehold improvements	8 302	-	-	-	(3 321)	4 981
Artwork	38 806	-	-	-	-	38 806
	2 125 749	194 623	(95 719)	770	(233 498)	1 991 925

6. Intangible assets

Figures in rand	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	2 609 053	(2 072 880)	536 173	2 616 119	(2 019 352)	596 767

Reconciliation of intangible assets – 2023

	Opening balance	Amortisation	Total
Computer software	596 767	(60 594)	536 173

Reconciliation of intangible assets – 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	658 239	(11)	(61 461)	596 767

Computer software represents off-the-shelf software used in the operations of the Commission.

7. Deposit

Figures in rand	2023	2022
Deposits held		
Opening balance	219 290	280 654
Deposit added in the year	1 041 219	25 000
Deposit refunded during the year	(25 000)	(86 364)
	1 235 509	219 290
Deposit classification		
Deposits: Current	194 290	25 000
Deposits: Non-current	1 041 219	194 290
	1 235 509	219 290

The opening balance of the deposit relates to the Cape Town office accommodation. The current lease agreement will expire within 12 months and the deposit will be refunded at the end of the lease term. The deposit addition in the current financial year is for the new office building in Cape Town to be occupied from 1 April 2023, and will be held by the landlord for the duration of the lease agreement.

A refund related to short-term accommodation for a relocated staff member was received during the year.

8. Operating lease liability

Figures in rand	2023	2022
Non-current portion of lease liability	-	(51 207)
Current portion of lease liability	(51 207)	(84 842)
	(51 207)	(136 049)

The operating lease liability relates to the current Cape Town office lease agreement, which will expire in September 2023.

9. Finance lease liability

Figures in rand	2023	2022
Minimum lease payments due		
• within one year	71 103	-
• in second to fifth year, inclusive	88 879	-
	159 982	-
Less: Future finance charges	(19 606)	-
Present value of minimum lease payments	140 376	-
Present value of minimum lease payments due		
• within one year	59 522	-
• in second to fifth year, inclusive	80 854	-
	140 376	-
Non-current portion of lease liability	80 854	-
Current portion of lease liability	59 522	-
	140 376	-

The Commission entered into a finance lease arrangement in the current year.

The lease term was three years and the effective borrowing rate was 8%.

Interest rates are fixed at the contract date. The leases have fixed repayments.

The Commission's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to Note 5.

10. Payables from exchange transactions

Figures in rand	2023	2022
Trade payables	626 882	1 050 037
Accrued expense	705 457	630 586
	1 332 339	1 680 623

Trade payables and accruals are as a result of supplier invoices and third-party contractors not paid at year-end. The average payment period is less than 30 days.

Financial liability – Amex travel card

Figures in rand	2023	2022
Remaining credit available at year-end	698 379	808 683
Add: Accrual at year-end	151 624	41 320
	850 003	850 003

Financial and Fiscal Commission
Annual Financial Statement for the year ended 31 March 2023

Included in financial liabilities is the Amex credit card facility from Nedbank, available to the Commission at an interest rate of 17% (prime plus 5.75%) at 31 March 2023. The total credit available for use by the Commission is R850 000. The terms of payment are 55 days interest-free from statement date.

11. Provisions

Reconciliation of provisions – 2023

	Opening balance	Additions	Utilised during the year	Reversed during the year	Leave paid	Total
Surrender of surplus	12 663 589	15 910 768	-	(12 663 589)	-	15 910 768
Leave benefits	1 312 274	2 624 983	(2 122 203)	-	(693 871)	1 121 183
Performance bonus	479 466	-	(425 150)	-	-	54 316
Cost-of-living adjustment	-	699 060	-	-	-	699 060
	14 455 329	19 234 811	(2 547 353)	(12 663 589)	(693 871)	17 785 327

Reconciliation of provisions – 2022

	Opening balance	Additions	Utilised during the year	Leave recovered	Total
Surrender of surplus	17 745 148	14 628 396	(19 709 955)	-	12 663 589
Leave benefits	1 705 487	2 662 179	(3 062 170)	6 778	1 312 274
Performance bonus	-	479 466	-	-	479 466
	19 450 635	17 770 041	(22 772 125)	6 778	14 455 329

For the 2022/23 financial year, a provision for cost-of-living adjustment was made in terms of the Commission's approved Remuneration and Rewards Policy.

Figures in rand	2023	2022
Surrender of surplus provision	15 910 768	14 628 396
Calculation of surplus provision		
Cash and cash equivalents	27 678 101	16 255 724
Add: Receivables	2 841 983	1 234 848
Less: Current liabilities	(3 317 627)	(3 557 205)
Less: Contingent liabilities	(11 291 689)	(1 269 778)
Surplus surrendered	-	1 964 807
Surplus provision	15 910 768	14 628 396

In terms of the PFMA, constitutional institutions should request approval to retain accumulated surpluses, and unused surpluses should be deposited back to the Revenue Fund. The Commission has a present obligation to return the surplus of R15 801 083. In the current year, the Commission has sufficient funds to cover year-end commitments, and will therefore not be requesting the full retention of surplus previously identified at financial year-end.

12. Revenue from exchange transactions

Figures in rand	2023	2022
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	1 476 215	613 329
Other income	2 000	7 326
	1 478 215	620 655

13. Profit/(loss) on disposal of assets

Figures in rand	2023	2022
Proceeds on sale of motor vehicle	90 600	-
Proceeds from insurance claim	74 545	-
Proceeds from sale of assets	-	9 770
Carrying value of disposed assets	(67 908)	(25 496)
	97 237	(15 726)

The Commission sold its motor vehicle, which was purchased in 2010, during the year. The vehicle was sold to the highest bidder through a competitive bidding process.

14. Revenue from non-exchange transactions

Figures in rand	2023	2022
Operating grants		
Government grant	63 839 000	63 199 000

15. Employee-related costs

Figures in rand	2023	2022
Basic salary	30 585 298	30 523 902
Performance bonus	-	479 466
Unemployment Insurance Fund	80 095	80 954
Workmen's Compensation Act	172 005	-
Leave pay provision charge	502 780	(136 069)
Other personnel costs	206 913	288 423
Temporary staff costs	-	194 011
Cost of living provision charge	699 060	-
Termination benefits	1 658 619	-
	33 904 770	31 430 687

Other personnel costs include training and development, and relocation and staff welfare costs, which are costs associated with employment. A provision has been recognised in the current year for cost-of-living adjustments not yet approved, but due in terms of the Commission's Remuneration Policy. The cost-of-living provision charge has been included in the current year, arising from the pronouncement of salary adjustments by the Department of Public Service and Administration (DPSA), and awaits approval by the Commission.

The Commission has reclassified costs amounting to R99 644 (2022: R188 136) related to payroll processing and technical support to information technology support in operating expenditure. Furthermore, recruitment costs amounting to R402 660 (2022: R1 089 077) have been reclassified to operating expenditure. This is to achieve better presentation of the expenditure of the Commission.

16. Depreciation and amortisation

Figures in rand	2023	2022
Property, plant and equipment	870 024	233 498
Amortisation	60 596	61 461
	930 620	294 959

17. Finance costs

Figures in rand	2023	2022
Finance leases	11 287	-
Other interest paid	13 842	563 283
	25 129	563 283

18. Debt impairment

Figures in rand	2023	2022
Debt impairment	46 058	-

Following assessment, debt amounting to R46 058 was impaired owing to the financial constraints of the debtor.

19. Professional services

Figures in rand	2023	2022
Legal fees	422 468	70 840
External audit fees	1 481 373	1 965 766
Financial and supply chain management consulting	94 426	833 696
Forensic services	426 472	-
Internal audit fees	-	80 730
Commissioned research	1 252 987	1 982 699
Human resources consulting costs	560 174	-
Risk management fees	138 864	31 970
Office planning consultant	-	132 940
	4 376 764	5 098 641

20. Surrender of surpluses

Figures in rand	2023	2022
Surrender of surpluses – relating to current year	15 910 768	12 663 589
(Reversal)/addition of surpluses – relating to prior year(s)	(12 663 589)	1 964 807
	3 247 179	14 628 395

21. Operating expenses

Figures in rand	2023	2022
Bank charges	34 375	35 309
Cleaning	69 008	514 670
Workshops and meetings cost	60 855	54 620
Insurance	106 444	136 831
IT expenses	1 490 661	3 587 681
Recruitment fees	402 660	1 089 077
Printing and stationery	425 204	591 251

Financial and Fiscal Commission
Annual Financial Statement for the year ended 31 March 2023

Figures in rand	2023	2022
Security	118 132	161 739
Software expenses	1 175 643	738 910
Subscriptions and membership fees	853 075	212 320
Telephone and fax	10 369	101 810
Travel – local	1 962 442	499 456
Water and electricity	661 992	655 613
Rates and taxes	31 891	89 317
Other expenditure	184 239	634 256
Office rent	3 134 812	2 865 672
Commission and Committee cost	1 006 871	1 519 201
Office relocation costs	326 457	-
	12 055 130	13 487 733

Other expenditure relates to office consumables, minor assets and stakeholder management costs for the Commission.

The Commission has reclassified costs amounting to R99 644 (2022: R188 136) related to payroll processing and technical support to information technology support in operating expenditure. Furthermore, recruitment costs amounting to R402 660 (2022: R1 089 077) have been reclassified to operating expenditure. This is to achieve better presentation of the expenditure of the Commission.

22. Cash generated from (used in) operations

Figures in rand	2023	2022
Surplus (deficit)	10 828 802	(1 699 769)
Adjustments for:		
Depreciation and amortisation	930 620	294 959
(Gain) loss on sale of assets	(97 237)	15 726
Finance costs – finance leases	11 287	-
Movements in operating lease assets	(84 842)	(200 128)
Movements in provisions	82 820	86 253
Movements in deposit	-	86 364
Reduction of operating lease liability due to lease	-	69 462
Movement in accrued income	74 545	-
Changes in working capital:		
Receivables from exchange and non-exchange transactions	(1 607 135)	498 156
Payables from exchange transactions	(348 284)	123 791
Surplus provision	3 247 179	(5 081 561)
Addition for personal protective equipment – liability	-	(63 532)
	13 037 755	(5 870 279)

23. Commitments

Authorised capital expenditure

Figures in rand	2023	2022
Already contracted for		
• Property, plant and equipment	826 586	636 428
• Intangible assets	633 350	633 350
	1 459 936	1 269 778
Total capital commitments		
Already contracted for	1 459 936	1 269 778
Authorised operational expenditure		
Already contracted for		
• Professional services	1 207 482	2 286 349
• Operating expenses	22 273 319	4 298 986
	23 480 801	6 585 335
Not yet contracted for and authorised by the Commission		
• Relocation costs	3 000 000	-
Total operational commitments		
Already contracted for	23 480 801	6 585 335
Not yet contracted for and authorised by the Commission	3 000 000	-
	26 480 801	6 585 335
Total commitments		
Total commitments		
Authorised capital expenditure	1 459 936	1 269 778
Authorised operational expenditure	26 480 801	6 585 335
	27 940 737	7 855 113

This committed expenditure relates to purchase agreements entered into by the Commission and will be financed by retained surpluses and existing cash resources. A commitment has been made to fund the relocation costs of employees and their respective families to the new offices in Cape Town. The Commission took a decision to close its Midrand Office and consolidate its operations (effective 1 April 2023) in Cape Town close to Parliament as the primary stakeholder.

The Commission made a commitment to fund the relocation costs of employees and their respective families to commence duties at the new offices in Cape Town. A budget of R300 000 per employee who has provided a commitment to relocate has been made available to fund the relocation costs for employees and their families.

A transitional period of six months has been provided for employees to relocate, with the date of assumption of duties being 1 September 2023.

Operating lease

Figures in rand	2023	2022
Minimum lease payments due		
• within one year	372 213	716 854
• in second to fifth year, inclusive	-	372 213
	372 213	1 089 067

The lease was negotiated for five years and has an 8% escalation clause. No contingent rent is payable. The above operating lease payments represent rentals payable by the Commission for its current Cape Town office premises. The lease agreement will expire on 30 September 2023.

Operating leases

Figures in rand	2023	2022
Minimum lease payments due		
• within one year	180 053	180 053

The lease was negotiated for one year and has no escalation clause. The above operating lease payments represent rentals payable by the Commission for the Midrand Office premise. The lease agreement will expire on 30 April 2023. The Commission has also made a decision that its Midrand Office operations will be closed.

24. Related parties

Commissioners and key management remuneration

Commissioners 2023

Related-party balances	Payables 2023	Receivables 2022	Payables 2022
Mr M Sachs	-	-	39 879
Prof A Mokadi	14 058	-	42 174
Prof L Erasmus	9 372	-	23 430
Prof T Fowler	9 372	-	37 488
Ms N Khabutlane	14 058	-	37 488
Ms E Rockman	9 063	42 483	-
	55 923	42 483	180 459

Financial and Fiscal Commission
Annual Financial Statement for the year ended 31 March 2023

	Fees for services	Salary	Electronic communication allowance	Total
Name				
Dr N. Mbava	-	1 880 736	42 000	1 922 736
Mr M Sachs	79 758	-	39 000	118 758
Prof A Mokadi	273 246	-	39 000	312 246
Prof L Erasmus	112 464	-	39 000	151 464
Prof T Fowler	78 478	-	39 000	117 478
Ms N Khabutlane	126 522	-	39 000	165 522
Mr S Kholwane	-	-	-	-
Ms E Rockman	56 232	-	39 000	95 232
Mr M Nkomfe	-	-	39 000	39 000
	726 700	1 880 736	315 000	2 922 436

2022

	Fees for services	Salary	Electronic communication allowance	Total
Name				
Dr N. Mbava (term commenced on 17 August 2021)	-	1 169 421	26 115	1 195 536
Mr M Sachs	248 126	-	35 000	283 126
Prof A Mokadi	344 225	-	35 000	379 225
Prof L Erasmus	182 237	-	35 000	217 237
Prof T Fowler	246 440	-	35 000	281 440
Ms N Khabutlane	28 850	-	35 000	63 850
Mr S Kholwane	53 596	-	-	53 596
Ms E Rockman	350 293	-	35 000	385 293
Mr M Nkomfe	-	-	36 500	36 500
	1 453 767	1 169 421	272 615	2 895 803

Financial and Fiscal Commission
Annual Financial Statement for the year ended 31 March 2023

**Management
2023**

	Salary	Bonuses and performance-related payments	Electronic communication allowance	Acting allowance	Leave pay	Total
Name						
Mr C Tseng, Acting Chief Executive Officer, Head: Research	1 233 550	36 401	36 000	367 008	-	1 672 959
Ms A Maharaj-Dowra, Head: Office of the Commission and Chairperson	1 369 070	40 400	23 500	-	-	1 432 970
Mr K Mviko, Chief Financial Officer	1 430 620	-	36 000	-	-	1 466 620
Dr K. Brown , Chief Executive Officer (resigned December 2022)	1 246 833	-	30 100	-	147 187	1 424 120
Ms R Mokebe, Head: Corporate Services (resigned May 2022)	209 599	-	5 353	-	49 683	264 635
	5 489 672	76 801	130 953	367 008	196 870	6 261 304

2022

	Salary	Leave pay	Electronic communication allowance	Total
Name				
Dr K. Brown, Chief Executive Officer	1 759 809	-	35 500	1 795 309
Ms A Maharaj-Dowra, Head: Office of the Commission and Chairperson	1 431 215	-	6 000	1 437 215
Ms R Mokebe, Head: Corporate Services	1 070 662	-	27 000	1 097 662
Mr P Makaneta, Acting Chief Financial Officer (term ended January 2021)	4 883	-	-	4 883
Mr K Mviko, Chief Financial Officer	1 450 275	-	37 000	1 487 275
Mr S Ralekwa, Legal Analyst	648 959	77 063	18 896	744 918
Ms S Xulu, Acting Head: Corporate Services (term ended June 2021)	324 160	35 284	9 046	368 490
Mr C Tseng, Head: Research	1 288 594	-	37 000	1 325 594
Mr M Mavhungu, Acting Head: Corporate Services (term ended April 2021)	109 889	56 999	3 500	170 388
Mr G Senna, Acting Legal Analyst (term ended November 2021)	96 535	14 908	2 919	114 362
Ms S Ndondlwana, Acting Legal Analyst (term ended February 2022)	250 327	(6 778)	7 530	251 079
	8 435 308	177 476	184 391	8 797 175

25. Risk management

Financial risk management

The Commission's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

The Commission's risk to liquidity is a result of the funds available to cover future commitments. Considering the Commission's current funding structures and availability of resources, the Commission regards this risk to be low.

Financial liabilities, which potentially subject the Commission to concentration of liquidity risk, are trade and other payables. The Commission's risk to liquidity is a shortfall in funds available to pay its payables. The payables are all due within the short term. The Commission manages its liquidity risk by holding sufficient cash in the bank account.

At 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 332 339	-	-	-

At 31 March 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 680 623	-	-	-

Credit risk

Financial assets, which potentially subject the Commission to the concentration of credit risk, are principally receivables. Receivables are of a sundry nature and the credit risk is therefore limited. The credit risk is managed through periodic reviews of the level of bad debts. Accordingly, the Commission has no significant concentration of credit risk.

Financial assets exposed to credit risk at year-end were as follows:

Financial instrument	2023	2022
Trade and other receivables	2 841 983	1 234 848

Market risk

Interest rate risk

The Commission has cash and cash equivalents placed with financial institutions and is therefore exposed to interest rate fluctuations. Such changes in market interest rates affect the fair value of cash. The interest rate risk embodies not only the potential for loss, but also the potential for gain, and is managed through the cash management policy. The Commission has placed its cash equivalents with Nedbank Limited and the South African Reserve Bank (SARB), carried in the functional currency of the Commission (South African rand). The rating of Nedbank Limited is BB- as at the reporting date, as rated by Standard & Poor's Rating Agency.

26. Going concern

We draw attention to the fact that, at 31 March 2023, the Commission had an accumulated surplus of R14 855 357, and that the Commission's total assets exceed its liabilities.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Commission to continue as a going concern largely depends on continued government support through an annual appropriation through National Treasury. The Commission will make a submission to request approval from National Treasury to retain part of the accumulated surplus.

27. Reconciliation between budget and Statement of Financial Performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

Figures in rand	2023	2022
Net surplus (deficit) per the Statement of Financial Performance	10 828 802	(1 699 769)
Adjusted for:		
Actual amounts not on cash basis		
Actual amounts not on cash basis	(642 009)	15 355 873
(1) Overcollection in revenue	(1 464 815)	(191 758)
(2) Budget remaining in employee costs	(5 645 878)	(4 965 325)
(3) Overspending in interest and penalties	-	563 283
(4) Budget remaining in professional services	(3 184 657)	(6 132 924)
(5) Overspending in operating expenditure	936 000	(3 077 277)
(6) Budget remaining in fixed assets	(4 074 622)	(1 816 909)
(7) Surrender of surplus	3 247 179	1 964 806
Net surplus per approved budget	-	-

28. Budget differences

Differences between budget and actual amounts' basis of preparation and presentation

The budget and the accounting bases differ. The Commission's annual financial statements are prepared on the accrual basis, using a classification based on the nature of expenses in the Statement of Financial Performance. The annual financial statements differ from the budget, which is approved on the cash basis.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget.

(1) Variance in revenue is due to interest received on favourable bank balances during the year	(1 464 815)
(2) Underspending in employee costs is due to several vacant positions in the current year	(5 645 878)
(4) Unused budget in professional services due to lesser legal fees paid	(3 184 657)
(4) Overspending in operating costs due to increased software licences and travel during the year	936 000
(5) Underspending in Capex due to less assets purchased	(4 074 622)
	(13 433 972)

29. Irregular, and fruitless and wasteful expenditure

Figures in rand	2023	2022
Irregular expenditure	1 910 474	3 605 676
Fruitless and wasteful expenditure	13 842	714 790
Closing balance	1 924 316	4 320 466

Disciplinary steps taken as a result of irregular, and fruitless and wasteful expenditure

All cases of irregular, and fruitless and wasteful expenditure were referred for forensic investigation. No new irregular, or fruitless and wasteful expenditure was incurred in this financial year.

Additional Information

The opening balance for irregular expenditure was restated as one transaction was removed from the Irregular Expenditure Register.

This was due to the contract being found in historical documents. The irregularity was thus cleared.

30. Deviation from Supply Chain Management Regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a Supply Chain Management Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Financial and Fiscal Commission
Annual Financial Statement for the year ended 31 March 2023

Paragraph 36 of the same Gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Commission, and includes a note to the annual financial statements.

Goods and services procured during the financial year and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i), as stated above. The reasons for these deviations were documented and reported to the Commission, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Figures in rand	2023	2022
Type of deviation		
Contract extension (within Accounting Officer's delegation)	178 209	196 632
Contract extension (within National Treasury's delegation)	2 797 289	-
Sole supplier	852 727	302 564
	3 828 225	499 196

31. Contingencies

The Commission recognises a contingent liability of R11 291 689 (2021: R1 269 778) related to capital expenditure as per Instruction Note 12 of 2020/21 issued by National Treasury on 22 September 2020. The contingent liability exists related to the request for the retention of surplus to be submitted to National Treasury between 1 August 2023 and 30 September 2023.

The contingent liability is disclosed due to the uncertainty in the approval of the request for surplus by National Treasury.

Amusa matter

In the previous year, the Commission disclosed a contingent liability related to the Amusa matter for an unpaid long-service award of 10 and 15 years amounting to R137 872, and interest of 7% per annum, which is due from the date the payment became due. An attachment order has been made against the Commission. The Commission has assessed the liability and considers the likelihood of the claim being successful as unlikely. The matter should be concluded in the next year.

As a result of the above, office equipment assets with a carrying value of R229 098 have been encumbered due to an attachment order received by the Commission from the Sheriff of the Court.

32. Change in estimate

Property, plant and equipment

The useful life information technology equipment was estimated to be 10 years. In the current period, management has revised the useful life of certain information technology equipment to three years based on management's intention and future usage patterns of the assets. The effect of this revision has increased the depreciation charges for the current and future periods by R 527 381.



FINANCIAL
AND FISCAL
COMMISSION

**For an Equitable Sharing
of National Revenue**